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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION

OF

RAILWAY RATES AND CHARGES.

PROCEEDINGS OF MEETING

HELD ON

2ND JUNE, 1920.

EIGHTH DAY.



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MINISTRY OF TRANSPORT.

GENERAL REVISION OF RAILWAY RATES, TOLLS AND CHARGES.

OLD HALL, LINCOLN'S INN, W.C.2.

Tuesday, 11th May, 1920.

Terms of Reference:—

"The Minister having determined that a complete revision of the rates, fares, dues, tolls and other charges on the railways of the United Kingdom is necessary, the Committee are desired to advise and report at the earliest practicable date as to:—

- "(1) The principles which should govern the fixing of tolls, rates and charges for the carriage of merchandise by freight and passenger train and for other services.
 - "(2) The classification of merchandise traffic, and the particular rates, charges and tolls to be charged thereon and for the services rendered by the Railways.
 - "(3) The rates and charges to be charged for parcels, perishable merchandise and other traffic conveyed by passenger train, or similar service, including special services in connection with such traffic."
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MINISTRY OF TRANSPORT.

RATES ADVISORY COMMITTEE.

GENERAL REVISION OF RATES AND RAILWAY CHARGES.

PROCEEDINGS OF MEETING

HELD ON

2ND JUNE, 1920.

PRESENT :—

F. GORE-BROWNE, Esq., K.C. (*Chairman*).
SIR WALTER W. BERRY, K.B.E.
W. J. DAVIS, Esq.
W. A. JEPSON, Esq.
L. A. MARTIN, Esq.
W. M. ACWORTH, Esq.
S. J. PAGE, Esq. (*Secretary*).

EIGHTH DAY.

MR. J. H. BALFOUR BROWNE, K.C., appeared for The Federation of British Industries.

SIR JOHN SIMON, K.C., SIR LYNDEN MACASSEY, K.C., MR. BARRINGTON WARD, K.C., and MR. BRUCE THOMAS appeared for the Railway Companies' Association.

MR. ROWLAND WHITEHEAD, K.C., and MR. G. W. BAILEY appeared for the St. Helens and Widnes Manufacturers and Traders.

MR. ROWLAND WHITEHEAD, K.C., and MR. EDWIN CLEMENTS appeared for the Iron and Steel Federation.

MR. G. H. HEAD appeared for the Livestock Traders' Association (instructed by Messrs. Maxwell, Brownjohn & Co.).

MR. JACQUES ABADY (instructed by Sir Thomas Ratcliffe-Edlis) appeared for the Mining Association of Great Britain.

SIR ROBERT ASKE (instructed by Messrs. Botterell & Roche and Hill Dickinson & Co.) appeared for the Chamber of Shipping of the United Kingdom and Liverpool Steamship Owners' Association.

MR. F. G. THOMAS (instructed by Messrs. Francis & Calder) appeared for the Association of British Chambers of Commerce.

MR. W. A. WARDLEY (instructed by Messrs. Adler & Perovue) appeared for the Association of Railways.

Sir Robert Aske: There is very little that I desire to add, Sir, to the observations which I addressed to the Committee yesterday. One point which I think should be mentioned to the Committee is the extent to which terminals enter into the question of sea freights; and, perhaps, the best and shortest way of dealing with that is to read a short extract from the Report of the Sub-Committee appointed by the Ministry of Transport, which Committee reported under date January 8, 1920. The Terms of Reference to that Sub-Committee were: "To examine and report as soon as possible as to the probable effect of the forthcoming revision of railway rates on coastal shipping on the assumption that the present subsidy is withdrawn." The Report says, *inter alia*, "... In the large majority of instances the increased rail charges still leave material margins below the charges obtaining by the coastal services. The extent of these differences is mainly attributable to the terminal costs incurred by sea routes, and in particular that portion relating to cartage. Typical examples illustrating the excess of cost by coastal over rail services are set out below, together with details showing how the former are made up." The typical examples

given are these: Tea, London to Manchester. The sea freight is 36s. per ton; the terminals at Manchester, loading and discharging, 9s. per ton; Ship Canal toll, 8s. 2d.; quay portorage, 5s.; cartage, 7s. 8d.; and at London, wharfage 5s. per ton, and cartage 10s. per ton; making a total of sea freight and terminals of 80s. 10d., of which no less than 44s. 10d. were terminals. That is, that the sea freight itself is only 36s. while the terminals are 44s. 10d.—actually more than the sea freight. The new rail rate, C and D, was 70s. 6d. So that, if from that is deducted the terminals which are payable by the sea carriers it would leave only 25s. 8d. for freight.

Chairman: That looks as if you ought to make a great attack upon the terminals that are charged to shippers.

Sir Robert Aske: Of course the shipowners get their terminals carried out as low as they possibly can. But the materiality of this is that the amount chargeable for freight, including terminals, is not a matter which is in the hands of the shipowners. If I may, I will give another illustration which is more significant than the other. It is bacon and hams from Liverpool to London. The sea freight is 25s. 6d. per ton; the

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SIR ROBERT ASKE.

[Continued.]

terminals at Liverpool are, loading and discharging, 7s. 6d. per ton; dues, 10d.; cartage 8s. 10d.; and at London, wharfage 7s. 6d.; dues, 10d.; cartage, 12s. 6d.; making 63s. 6d. per ton, of which the charges are 38s. So that the charges are 38s., the sea freight is only 25s. 5d., and the rail rate, C and D, on that is 45s. 7d.

Mr. Jepson: In both those illustrations you are, of course, giving comparisons from warehouse to warehouse.

Sir Robert Aske: Yes.

Mr. Jepson: For instance, they would not be imported American bacon and hams which has not gone into a warehouse at Liverpool but presumably they have gone into a warehouse involving cartage in the first instance and then brought out of the warehouse, carted to the docks and dealt with; and the same thing would happen in London.

Sir Robert Aske: That appears to be so. That last illustration is most significant, because if you deduct the amount of the terminals, 38s., from the rail rate of 45s. 7d., it leaves only 7s. 7d. for freight, as against the existing freight of 25s. 5d.

Chairman: Are not those instances of Manchester and Liverpool in regard to the two places where cartage is highest in the country?

Sir Robert Aske: Sir Norman Hill informs me that he thinks the rates would be just as high in London and Bristol or Glasgow.

Chairman: London, Manchester and Liverpool, I suppose, have probably the highest cartage rates in the kingdom, have they not?

Sir Robert Aske: I cannot say as to that.

Mr. Jepson: I should think so.

Chairman: Mr. Jepson thinks so.

Sir Robert Aske: He would know, of course. I give these illustrations, which are mentioned as typical illustrations in this Report of the Sub-Committee appointed by the Ministry of Transport.

Mr. Jepson: Of course, they are both cases with London, and you introduce the 12s. 6d. cartage in London, which proves a very expensive cartage.

Sir Robert Aske: Yes, quite so. Then there is one other point which the Committee may regard as material. In a Report made by this Committee to the Minister of Transport as to the exceptional port to port rates, some stress was laid on the fact that there might be businesses which had sprung up in the ports on the faith of the exceptional rail rates from port to port. With regard to that, the Chamber of Shipping have made careful inquiries from all the ports, and, so far as they can ascertain, there are no businesses in any of the ports which have sprung up because of exceptional rail rates as between port and port. There are a large number of businesses which have sprung up because they are convenient ports for the importation of raw materials from abroad. Illustrations of that may be given in regard to Liverpool and Hull. Hull, for instance, has become the great centre of the oilcake trade—I think the greatest centre in the country—and the second largest centre for flour mills. That is due to the fact that the soya beans and seed are imported direct into Hull and the mills have been built there so that they can deal with the raw material so imported; and then, of course, it is handled either by the coasting trade or by rail from there. I think the case is similar not only with regard to Liverpool but with regard to Barry. But those are businesses which have sprung up not because of exceptional rail rates from port to port, but really because the ports in which the businesses are established are convenient ports into which to bring the raw materials from abroad. In the case of the small ports the businesses which have sprung up are very largely due to the coasting trade; businesses connected with the distribution of goods brought in by the coasters, which distribution involves a large number of subsidiary businesses—wharfingers, warehousing, dockers, ships' store dealers, ship repairers, rope makers, and so forth—all of which are really due to the coasting trade, and they have un-

questionably suffered severely, as have the small ports themselves, because of the great diminution of coastal traffic due to the exceptional rates on the rail. If on that point I might emphasise what I said yesterday, that it is the cheap sea rates and not the cheap rail rates, which in any case would contribute to the founding of businesses; because it is the sea rates which have induced the low rail rates, and not the rail rates which have caused the cheap sea rates. I think those are all the facts I desire to put before the Committee. There is, however, one further point I might mention—namely, that the shipping trade are here in order to save the coasting trade from what they fear will be annihilation if the existing exceptional rates as between port and port, in which are included all the subsidiary rates from ports to various towns and areas inland which are dependent on those port to port rates, are maintained. The traders naturally decline to send by water if they can get cheaper rates, or even the same rates, by rail. The position is that the entrance figures in the ports from 1910 to 1914, which were 21,000,000, sank in 1918 to 7,000,000, and in 1919 to 10,000,000; that is, that, even with the advantages of the subsidy granted by the Government, the entrances in the coasting trade were last year less than half of what they were in the pre-war period. On that point I may, perhaps, just mention a Report of the Liverpool Traffic Co-ordination Committee, which was a Committee established by the Government in July, 1919. They reported that whereas no congestion of traffic seems to have arisen from the inadequacy of the deep sea shipping services of the port, though their return to a pre-war standard of regularity may be expected to assist in restoring normal conditions, there is no doubt, however, that the continued interruption to the coastwise service is a grave source of embarrassment to the free flow of traffic through the port. A well-organised coastwise system is an essential element in the port's well being, but such a system can only thrive when the removal of artificial conditions on the railways and elsewhere enables its natural advantages to be fully developed. In this connection the Committee passed on July 7 the following Resolution: "The Committee beg to report that they are satisfied that one of the chief causes of the present congested state of the Port of Liverpool is that a large volume of goods which before the War would have gone by coaster now goes by rail. This cause has come about from the greatly increased rates of freight which the conditions left by the War force the coastwise companies to demand, whilst the railway rates have remained unchanged." The congestion which was in existence in July, 1919, and for a long time before that, it is important to bear in mind, was at a time when the volume of imports into this country was at least 30 per cent. below what it was in pre-war normal times; so that if the volume of imports was what one may consider as normal, the congestion would have been infinitely greater. In the submission of the shipping trade, the consequences of the exceptional rates which have been granted in bygone days, and which are still in existence, due to water competition, led to that serious congestion which took place. The small ports were, and still are, absolutely starving for trade; whereas it was the big ports which were congested. Those small ports were fully equipped to cope with the trade, and they have suffered conjointly with the coasting trade because of that congestion. There is another feature upon which the Labour representatives desire to lay emphasis before the Committee, and that is the enforced casualisation of labour which has been necessitated by reason of the diversion of traffic from the small ports, and they consider that to be a most serious matter, that it is absolutely necessary for the efficient working of traffic that labour should become regularised and not casualised, that casualisation tends to a lack of efficiency, and that it is bad both in the interests of the men and of the trade of the country in general.

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[Continued.]

Mr. Jepson: Will the Labour people be able to give us illustrations showing what has brought about this state of things? It is very easy to speak in a general way of the fact that the diversion of vessels from small ports has caused casualisation of labour, but one would like to have a few illustrations to see how this has been brought about. It may be that the explanation is that big ships have gone from small ports to other ports.

Sir Robert Aske: I am obliged to you for mentioning that. I think there will be no difficulty in giving a great number of illustrations if it is necessary to do so. A point then arises in this way, that in the big ports it is very essential that there should be over-side discharge as well as discharge on to quays. Over-side discharge enables the ocean-going ships to discharge at a very much quicker rate, as they can discharge on both sides at the same time. If, as has been the case, traders require their goods to go by rail, then that over-side discharge does not take place and all the discharging is done on to quays; then those goods block up the quays, or they are put into warehouses and block up the warehouses. The railways from the ports also have an enormously increased quantity of goods to handle, therefore you get congestion on the railways too. That is the first point.

Mr. Davis: Will you be able to suggest something with regard to casual labour? Will you be able to deal with that?

Sir Robert Aske: The suggestion which is made is that the exceptional rates which have been granted in the past to cope with water competition—which competition no longer exists—should be taken off. The result in the past has been that there has been no real chance to develop the coasting trade of the country.

Mr. Davis: Supposing they were taken off, in what way would that matter be affected?

Sir Robert Aske: Because the hope would then be that the coasting trade which has been diverted to the extent of over 50 per cent. might come back again, if they could do so at living rates.

Mr. Jepson: I think we are all agreed that that is the course things will take. I think everyone agrees that those exceptional rates which were put in force because of sea competition, that sea competition no longer existing, will go. I think that is pretty well common ground. But supposing the doing away with these exceptional rates and

putting those rates on to a normal scale does not then enable the boats to compete without a subsidy, what is the remedy?

Sir Robert Aske: If I might answer the question from the point of view of the shipping trade I would say that so far as they are concerned they are of opinion that if they cannot compete they must either go out of existence or the Government must devise some other means of dealing with the traffic.

Chairman: Then is it not really what I said several times yesterday, that one thing is to do away with the exceptional rates from port to port?

Sir Robert Aske: Yes.

Chairman: Does it need elaboration?

Sir Robert Aske: One's only fear is—

Chairman: It has sunk quite into our minds. You have seen a Report of ours which showed that our minds were very ready and recipient for it.

Sir Robert Aske: I do not wish to labour any matter which is more or less common ground. The only fear of the shipping trade is that the case, both from the point of view of the trade itself and of the national interests, should not be fully placed before the Committee.

Chairman: Would it not be your best policy to put Sir Norman Hill into the box and let us hear the substantial facts from him; then if there is anyone, either trader or railwayman, who disputes his supposed solution of the question they will be able to indicate it in cross-examination.

Sir Robert Aske: If you please, Sir. I will do so at once.

Mr. Acworth: You are reported to have described the coasting trade as 70,000,000 tons, but it has been said to be 20,000,000.

Sir Robert Aske: The 20,000,000 tons is the coasting tonnage, not the quantity of goods carried. The 20,000,000 tons are merely entrances and do not include clearances.

Mr. Jepson: It does not represent the tonnage carried but the tonnage of the boats cleared at the ports?

Sir Robert Aske: Yes.

Mr. Acworth: The 20,000,000 tons are entrances, and the 70,000,000 tons represent the weight of goods carried.

Sir Robert Aske: Yes. I took the figure of 70,000,000 from a statement made by the Minister of Transport in the House of Commons. There are no official figures about it.

SIR NORMAN HILL, Bart., called.

Examined by Sir ROBERT ASKE.

2609. *Sir Robert Aske:* Have you acted since 1893 as the Secretary of the Liverpool Steamship Owners' Association?—Yes.

2610. Before the War did you serve on the Sub-Committee of the Imperial Defence Committee which framed the War Risk Insurance Scheme with the object of maintaining during War the nation's overseas supplies?—Yes.

2611. During the War did you serve on several Committees to deal with the nation's overseas trade?—Yes.

2612. In particular did you serve on the Division of Shipping Committee from the outbreak of the War, and on the Port and Transit Executive Committee from its appointment in the autumn of 1915 down to the end of 1919, and did you act as Chairman of that Committee from July, 1917, to the end of 1919?—Yes.

2613. At the beginning of 1917 did you serve on the Committee that dealt with the restriction of imports?—Yes.

2614. Did you serve as Chairman of the Committee appointed at the end of 1919 to organise road transport for the purpose of clearing the ports?—Yes.

2615. I think you also served as Chairman of a Committee appointed to deal with the return to employ-

ment of the dock workers as demobilised from the Army?—Yes.

2616. Will you now please give your statement to the Committee?—In considering the points raised by the Shipping Industry it must be borne in mind that their concern is with the maintenance of the flow of traffic generally. The industry is not identified with any one interest, or with individual ports; it serves all the national interests, and its prosperity is dependent on the prosperity of all the national interests. It is concerned with the importation and distribution of foodstuffs and of raw materials. It is concerned with the distribution of the export of the country's manufactures and of its coal. It is concerned with the distribution of the country's domestic commerce. It is recognised that the railway companies collectively occupy a position very similar to that occupied by the shipping industry, but taken individually the railway companies have interests other than those of the maintenance of the flow of traffic generally. The interests of the individual railway company are limited to traffic that can be passed over its own lines, and in the routing of traffic it is directly interested in securing the carrying for its own lines. It is not so much interested in maintaining the flow of traffic of the

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[Continued.]

country as a whole, as in securing as much traffic as possible for its own lines. In dealing with the matters under review it will, perhaps, be well in the first place to emphasise the importance of sea carriage to the nation, and then to indicate the manner in which its use has been controlled and limited by railway operations. The nation is absolutely dependent on its overseas commerce, i.e., on the exchange of its manufactures and coal, for food and raw material. If this commerce is to be carried on to the best advantage, sea carriage must be employed to the utmost. The point is often made that Central Europe and France have derived very great benefit from the systems they have developed of carriage over their rivers and canal systems. These systems have been developed at very great cost, but the facilities they afford fall far below the natural facilities which the United Kingdom enjoys as an island possessing an almost unlimited number of ports. The dependence of the nation on overseas commerce, and the advantages to be derived from the use of sea carriage in domestic commerce, is emphasised by the grouping of the population. It is estimated that there are 14,000,000, which equals 34 per cent. of the total population of Great Britain living in and within 15 miles of seven of the big ports. The figures are:—London, 5,800,000; Liverpool 1,900,000; Manchester, 2,700,000; Hull, 700,000; Bristol, 650,000; Glasgow, 1,800,000; Leith, 750,000; making a total of 13,600,000. It is further estimated that 5,000,000, that is a further 14 per cent. of the population, live in or within 15 miles of other ports. It is further estimated that 5,600,000, that is a further 13 per cent. of the population, live in districts that are served by effective canals loading from ports. This leaves 39 per cent. of the population, or 16,000,000, living in areas which are not in the immediate neighbourhood of ports, or which cannot be reached by water carriage from ports. Of this remaining 16,000,000, about one-half are scattered over the less densely populated parts of the country, and many of them are engaged in agriculture and represent that part of the population which is the least dependent on commerce. In regard to the population outside the immediate areas surrounding the ports, it must be borne in mind that practically all the inland colliery districts have good railway communications with the sea, and that for years, works, factories and mills, which are dependent on raw materials brought from abroad, or on foreign markets for the sale of their manufactures, have shown a marked tendency to concentrate on the seaboard. They have gone to the seaboard to get the advantage of cheap sea carriage and, as will be explained later, not only have they secured that advantage, but they have used the sea competition to get special concessions in railway rates. The increase in the size of the individual vessels employed in the overseas trade has created new problems. The following figures show how the size of these vessels has grown in the last 50 years:—

Average Tonnage (net) of British Steamships Employed in Ocean Overseas Trades.

1860	1,322 tons net	= 2,200 tons gross.
1870	1,532 "	= 2,500 "
1880	1,492 "	= 2,500 "
1890	1,587 "	= 2,600 "
1900	2,099 "	= 3,600 "
1910	3,549 "	= 6,000 "

Although the country is furnished around its coast with almost innumerable ports, there are only a limited number of ports capable of providing adequate accommodation for the big ships. In the result, overseas traffic shows a marked tendency to concentrate on a limited number of ports. In considering, for the purposes of this paper, the figures bearing on this point, it will be well to exclude the imports of iron ore as these are used in the immediate neighbourhood of the ports at which they are discharged, and also to exclude the exports of coal, as in the handling of coal it is essential that the first shipment should be on the ship by which the coal will be carried to its destination. The following statement shows the

weight of imports (other than iron ore) handled in our foreign trade in 1913, and the 12 principal ports through which 75 per cent. of this traffic passed. The Board of Trade has estimated the weight of the exports in our foreign trade in 1913 (other than coal) at 14,485,000 tons. The figures showing the total weight of exports (other than coal) dealt with in the individual ports are not available, but the volume of this traffic may be gauged roughly by the shipping net tonnage cleared from each port with cargoes, other than coal. This measure has been applied in the following statement in estimating the proportion of the exports passing through the principal ports:—

Oversea Trade Through Individual Ports.

	Imports, 1913. Tons				Exports 1913 other than Coal as a percentage on total.
	All Imports.	Iron Ore Tons.	Rest.	%	
London...	11,842,077	—	11,834,077	25.3	22.9
Liverpool...	7,222,077	—	7,222,077	16.1	21.6
Manchester...	2,520,941	—	2,520,941	5.6	2.5
Bristol...	1,675,844	—	1,675,844	3.7	2.5
Avonmouth	494,746	—	494,746	1.1	12.6
Southampton...	4,262,383	—	4,262,383	9.5	3.8
Newcastle...	1,432,816	543,803	889,013	2.1	0.5
Caswell...	2,548,154	765,955	1,782,199	4.0	—
Grimsby...	742,618	—	742,618	1.7	2.0
Glasgow...	2,594,428	1,124,611	1,469,817	3.3	8.1
Leith...	1,028,553	—	1,028,553	2.3	1.8
Dundee...	384,556	—	384,556	0.9	0.1
Other Ports...	36,281,293	2,434,869	33,846,424	75.6	78.1
	16,061,720	5,130,687	10,931,033	24.4	21.9
Total...	52,313,018	7,565,556	44,747,462	100.0	100.0

NOTE.—The tonnage represents the total weights of the Imports for which the tonnage, or the means of ascertaining the tonnage, are given in the Board of Trade Returns. These Imports represent, in value, about 88 per cent. of the total value of all Imports.

It will be seen from the above statement that 75½ per cent. of our overseas imports (other than iron ore) and 78 per cent. of our overseas exports (other than coal) were in 1913 handled in 12 ports. As regards imports it must be borne in mind that not only is the overseas traffic concentrated on a limited number of ports, but that the stocks of imports (food and raw material) are in the main held there for retail distribution over the country. These stocks are therefore on seaboard, and available for distribution by sea carriage. As regards exports other than coal, these are being sent more and more by the regular liners carrying mixed cargoes and not as whole cargoes. The result is that the shipment of exports is concentrated on the liner ports, i.e., on the big ports. All this concentration tells against the quick turn-round of the ships in the big ports, and, therefore, on the carrying power of the ships employed in the overseas trades. If the overseas ships are delayed in port then the number of voyages they can make in a year is reduced, and thereby their annual carrying power and the volume of the cargoes they bring in is diminished. In the national interests it is of the first importance to secure a quick turn round of all ship-carrying power. In securing such turn round there are great advantages in being able to deliver for distribution both by sea and by land. Additional land facilities cannot take the place of facilities for distribution by water. The traffic to be distributed over land must be discharged on to the quays. Traffic to be distributed by sea can be worked overseas and at the same time as cargo is being discharged on to the quays.

2617. Mr. Jepson: You mean on to the quays or railway wagons. A very large proportion is discharged into railway wagons?—Yes, I am taking the railway

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[Continued.]

wagons as discharge on to the quays. The big ports are able to develop greatly the coastwise services. The increase in the size of the ocean-going ships has called for the building of bigger docks, and the old docks which are no longer able to accommodate the ocean-going ships are now available to work the coasting trades. But improved facilities in the big ports must be accompanied by improved facilities in the smaller ports. There have been difficulties in securing these improved facilities, and it is one of the objects of this paper to explain the root of these difficulties. It is difficult to exaggerate the importance to the nation of the quick turn round of the ocean ships in the ports. On an average one-half of a ship's time is spent in port in the loading and discharging of its cargoes. On the average under present conditions the vessels employed in the overseas trades of the United Kingdom were making five round voyages in the year. To-day, owing mainly to delays in the ports, they are making on the average only four round voyages in the year. This means that the yearly carrying power of these ships has been decreased by 20 per cent., and, given the same number of ships in employment, a loss of 20 per cent. on the total weight of the cargoes brought into this country in 1915 would amount to upwards of 10,000,000 tons.

What such a loss means will be realised when it is remembered that the total weight of the wheat brought into this country in 1915 amounted to 51 million tons, and that four out of every five of the loaves we eat are made from imported wheat. Further, the help that sea distributing power gives to the big ports does not stop at the facilities it affords in the discharge of the ocean ships. The coasters carry their cargoes to the smaller ports, where there is labour to handle them and facilities for their storage. Neither this labour nor these storage facilities can be transferred to the big ports. They can only be used to help clear the big ports so long as there are coasters to serve them. Our War experience emphasised the importance in the National interests of the coasters and of the smaller ports. In great measure they were during the War both put out of commission, and, in consequence, although the volume of our imports from overseas was greatly diminished, our big ports and their storage accommodation and the railways by which they were served became hopelessly overburdened. The inevitable result was congestion in the big ports and waste of ship carrying power in the overseas trades. From first to last during the War there was no actual shortage of ships. Why we were short of necessary supplies was because the ship carrying power was wasted by delays, and our inland distributing power was disorganised by the extraordinary demands made upon it. It is the shortage of imports which is the prime factor in rising prices. The cost of carriage and handling is a small matter in comparison. The smaller ports are an asset of the greatest value to the nation. They are capable of great development, but they have been turned to account only so long as efficient coastwise services are maintained. The principal ports for the distribution coastwise of overseas and domestic commerce are the following:—Glasgow, Greenock, Preston, Liverpool, Manchester, Swansea, Newport, Cardiff, Bristol, Plymouth, Southampton, London, Hull, Goole, Middlesbrough, Sunderland, Tyne, Leith, Dundee, Aberdeen. These 20 ports are all served both by regular coasting lines and by general traders carrying whole cargoes in the coasting trade. In addition there are 55 smaller ports which are worked mainly in connection with the principal ports and which are served usually by general traders employed in the coasting trade. A list of these ports is annexed. Beyond these 55 smaller ports there are still many quays and wharves which are served from the sea. Unfortunately there are no complete records showing the volume of cargoes carried coastwise. The only official figures are those showing, in net tons, the shipping entrances and clearances coastwise in the different ports. Figures showing the coal carried coastwise

are available since 1909. The volume of the traffic carried coastwise in 1908 was some years ago estimated by the late Sir Frederic Bolton and Colonel T. H. Hawkins for the Imperial Defence Committee. They went into the question most carefully and collected much valuable information. This information indicated that 100 tons net of shipping entrances in the coasting trade represented, on the average, the carriage of 100 tons weight of cargo, but this was a general average taken over all cargoes. In the coasting trade of Great Britain the average was 100 tons net to 125 tons weight, and in the coasting trade with Ireland it was 100 tons net to 75 tons weight. The figures which were brought into this average included coal cargoes in which the ratio may be 400 tons of coal carried against 100 tons net of shipping entrances. Coal represents about 60 per cent. of the total cargoes carried coastwise, and therefore a general average cannot be relied on in determining the cargoes dealt with in particular ports. Although the figures of shipping entrances coastwise do not afford a reliable measure of traffic carried between particular ports, they can be safely compared with one another over a period of years. The entrances increase or decrease with the volume of traffic. The ships do not run unless there is traffic to be dealt with. In the same way the ship tonnage entrances coastwise over a period of years can also be compared with the total volume of traffic dealt with overseas. They can be compared with the total volume of domestic commerce whether that traffic is carried by the sea or by land. They can be compared with the figures showing the total population to be served and the manner in which that population is distributed. A comparison of the ship tonnage entrances in the foreign and coasting trades since 1860 shows that distribution coastwise has not increased in proportion to the increase in our foreign commerce. In the five years 1860-64 our foreign commerce was carried by ships representing 13,040,000 tons net of entrances whilst the entrances in the coasting trade of Great Britain represented 11,790,000 tons net. That is, in the years 1860-64 the Coasting Entrances represented 90 per cent. on the Foreign Trade Entrances. In the five years 1910-14 our foreign commerce was carried by ships representing 73,050,000 tons net of entrances, whilst the entrances in the Coasting Trade of Great Britain represented 21,870,000 tons net, that is, Coasting Entrances represented only 30 per cent. on the Foreign Entrances. To put the point in another way, our Foreign Commerce as indicated by the shipping entrances has increased 5½ times, whilst the coasting tonnage employed in the distribution of both our foreign commerce and domestic commerce had only doubled. Tested by the money values of our Foreign Commerce the figures are: In the 5 years 1860-64 the value of our Foreign Commerce was: Imports, £228,630,000; exports, £179,770,000; total, £408,360,000. In the five years 1910-14 the money value of our foreign commerce was: Imports, £697,980,000; exports, £568,650,000; total, £1,266,630,000. Therefore, in money value our foreign commerce has increased threefold, whilst the coasting tonnage employed in distributing both our foreign and domestic commerce has only doubled. By reason of fluctuations in prices, it has been found that the shipping entrances are a far more reliable indication than money values of the volume of traffic. Compared with the increase in population, the figures are as follows:—

Population of Great Britain in 1861, 23,128,518; in 1911, 40,831,396. The population has, therefore, increased 76·5 per cent., and in addition there has during the period in question been a marked concentration of this population on the seaboard. All the figures available appear to establish the point that distribution by sea has not increased in proportion to the needs of Great Britain.

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2618. *Mr. Acworth*: Have you any figures showing what the population close to the great ports was in 1860?—No; I could get that for you from the census.

2619. I daresay you see my point. If the population close to the ocean ports had increased out of proportion, naturally there would be proportionately less distribution to further ports?—Yes. I can get you them from the census within 15 miles. The figures relating to Ireland confirm this view. There in the five years 1860-4 the entrances in the coasting trade represented 5,570,000 tons net, whilst in the five years 1910-14 these entrances had increased to 11,670,000, an increase of 109·5 per cent. In the same period the population had decreased from 5,798,967 to 4,390,219, a decrease of 24·3 per cent., but the value of the foreign commerce passing through all the principal Irish ports had increased from £7,120,000 to £17,250,000, an increase of 142 per cent. The figures would point to the conclusion that Ireland has benefited far more than Great Britain from the introduction of the coasting steamship. In the Irish trade the coasting services, that is in the main Cross-Channel Services, could not be affected by railway competition. In the main it is the action of the railway companies which has strangled the development of distribution by sea. Their action has gone far to paralyse enterprise. It has discouraged both the big and the small ports in making adequate provision for the coasting trades. It has kept capital out of the trade. It is because of their action that the nation has not secured anything like the full benefit that could have been derived from the introduction of the coasting steamship as a factor in the distribution of our overseas and domestic commerce. The railway companies have hampered the development of the coasting trade in the same way, but to a much less degree, as they have hampered the development of our canals. The Royal Commission in 1909 pointed out the great advantages of the railway service over that offered by the canals, advantages which must inevitably have led to a great transfer of traffic to the railways, but they also emphasised the point that by obtaining control over a third part of our waterways the railways had paralysed development. Although the railways have not been able to kill the coasting trade as a whole, each branch of that trade has been open to be overwhelmed at any moment by railway competition. The fall in the coasting tonnage entrances in the years 1915 to 1918 confirms this view. In the years 1915 to 1918 other material factors were in operation, as, for example, war perils and the cost of insurance against those perils, but by 1919 there was sufficient coasting tonnage afloat to have restored the coasting services as they existed in 1910-14 if employment had been offering. But it will be seen from the annexed statement the coasting tonnage employed as shown by the entrance figures for Great Britain was: 1910-14 average 21,870,000 tons; 1915 average 14,980,000 tons; 1916 average 11,070,000 tons; 1917 average 8,920,000 tons; 1918 average 7,570,000 tons; 1919 average 10,170,000 tons. Taking the top figure as 100, the comparative figures are, 100, 1915, 68; 1916, 50; 1917, 41; 1918, 34; 1919, 46. It must be borne in mind that in 1919 the tonnage employed was materially increased by reason of the special subsidy given to overseas cargoes shipped coastwise. It is interesting to compare the above figures with the entrance figures for Ireland. They were: 1910-14 average 11,670,000 tons; 1915 average 12,480,000 tons; 1916 average 11,290,000 tons; 1917 average 10,280,000 tons; 1918 average 9,400,000 tons; 1919 average 9,730,000 tons. Again taking the top figure as 100, the other figures are, 1915, 107; 1916, 97; 1917, 88; 1918, 81; 1919, 83. The comparison shows that in 1918 the reduction in the coasting tonnage employed in the trade of Great Britain was 66 per cent., whilst in the Irish trade it was only 19 per cent. It was not the lack of ships or the absence of cargoes, but diversions of traffic to the railways that drove the coasting tonnage out of the trade of Great Britain. During the years 1915 to 1919 the railways were carrying in competition with the

coasters at far less than coast. Traffic in both overseas and domestic commerce was transferred wholesale to the railways, and in the result the big ports became most seriously congested, and the railways themselves overburdened. The position became so serious that the Government had in 1919 to give a subsidy representing the difference between the railway and the coasting freights on all overseas cargo carried coastwise. This serious state of congestion in the principal ports and on the railways existed, although in the year 1919 the total weight of our foreign imports was only 41,500,000 tons, as against 59,500,000 tons handled in 1915, a decrease of 30 per cent. It must be borne in mind that this subsidy was only given on overseas cargo; it was not given on cargo of domestic origin, and the diversion of domestic commerce on to the railways continues. The increase of 50 per cent. on the "cut" rates, that was made at the beginning of 1920, cannot in many cases have covered cost, and in cases in which the rate includes collection and delivery it must still be far below cost.

2620. *Chairman*: Are you able to give figures to show that?—I have the figures; we can show that. The railway companies have always conceived it their duty to concentrate traffic on their own systems, and as against sea carriage. The principal means through which they have worked to attain that end have been: (a) Reducing rates between points which could be served both by the railways and the sea; (b) by neglecting the facilities that could be afforded by using to the utmost ports which have fallen directly and indirectly under their control; (c) by neglecting and not developing distribution by canals which have fallen under their control and which are in direct communication with the sea.

2621. *Mr. Jepson*: Will you give some illustrations of the ports which fall under the railway companies' control which have been let drop into desuetude?—After I have been through the whole statement?

Mr. Jepson: Yes. I do not know whether the Chairman would like you to answer the questions with regard to each section now or afterwards.

2622. *Chairman*: I think he had better finish the statement first.—Many examples can be given of rates fixed by the railway companies before the war in order to attract traffic from the sea. Even under peace conditions there were strong grounds for believing that in many instances the rates charged did not cover the actual cost of the services rendered. When war came it was manifest that the rates became far below such cost. Figures can be submitted confirming this statement, but they are in the main limited to rates charged between ports, although it is known that the "cut rate" affects very many rates from ports to inland centres which could be served indirectly through other ports. A railway authority has stated that the "cut" influences thousands of rates, and that it would take months, if not years, to revise all these rates so as to eliminate the reductions made in order to meet sea competition. In support of "cut rates" the railways urge that it is less costly to handle goods in a port; that the quantities to be handled are greater; and that the port facilities for loading are available. Such considerations may apply to imports from overseas which are put on to the railways in a port, or to exports on their way overseas, which are discharged in a port for shipment, but such considerations do not apply to domestic traffic originating in the area in which there is a port, to be carried for domestic use in an area in which there is another port. For example, chemicals and soap made in this country are sent direct from the works on the Mersey to London or Glasgow; there is no saving in putting this traffic on to the railways because the works are on the Mersey and the cost is the same whether the traffic is being sent to London or to Glasgow or to Birmingham, but the "cut" only applies to traffic to be carried to the Glasgow or London area. Again, the considerations urged by the railways may affect goods carried in transit from

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one port to be reshipped at another port, but they are not applicable to imports received in one port and carried to another port for domestic consumption within the area of that second port. If it is the fact that the cost to the railways is lessened whenever goods are either loaded up or loaded off in a port, then the "cut" should apply to all traffic to and from ports, whether the other end of the journey is a port which can be served by sea carriage or is an inland point which cannot be so served. It is submitted that it is obvious that the rates have been cut with the deliberate intention of keeping the traffic from the coasting services.

2623. *Chairman:* Or, in other words, of getting it for the railways?—Yes, perhaps; that is a less offensive way of putting it. It is fully recognised that the coasting services can only exist so long as they can give full value in services for the freights they charge. They must be prepared to accept freights below the rates charged by the railways because they cannot offer the same advantages. Goods that are sent by sea must be covered by marine insurance, and that adds to the cost of carriage and to the trouble of arranging such carriage. Further, the collecting and distributing facilities have not been developed by the ports, in the same way as they have been developed by the railway companies. That again adds to the cost and trouble. It follows that the coasting rates under pre-war conditions were always under the railway rates. War has introduced extraordinary conditions, but when we settle down again on sound business lines the coasters will have to carry at less than the railways. If the ports will provide better facilities for collection and delivery, the rates may be brought nearer together, but there will always be the necessity for marine insurance, and the railways will in regard to most traffic be able to offer special advantages. The coasters must be prepared to meet all honest competition. It is no doubt difficult to define what is honest competition. In exchange for the statutory powers that have been given to the railway companies they are under obligation to give no preferences. If it be the fact that the "cut rates" are below actual cost then it is clear that one class of trader is being preferred, and at the expense of other classes of traders. The loss must be made up by some one, and it can only be made good by placing additional charges on other traders. The same result follows, but in a less degree, even if the "cut rates" do cover actual expenses, but leave no profit, or produce less than the normal profit made by the railways. In that event the whole of the profit, or an extra share of the profit, must be derived from rates charged to other traders.

2624. Is that a sequitur? There is a small profit on it, but supposing they lost this trade altogether they would have to increase the charges to other people, not reduce them?—They are running the trains to cover the actual cost of operation and their fair proportion of establishment charges.

2625. And so a small profit not as big as they require to make on the average over the whole. If they lost the traffic of the whole they would be poorer and would have to put the rates up on other people?—I agree. Then you would put the dividend on other traffic, and that might be in the interest of dividend.

2626. If they want to continue to raise capital and extend their business they must pay a dividend. To pay a dividend they must have a certain amount of profit. Assume that there is a small proportion of profit drawn from the port to port trade and they are content with that, if you kill the port to port trade so that they draw no profit from it, they would have to put up the rates on the other traders?—I agree, you have got up to the point at which the traffic that is carried at exceptional rates is covering the full working expenses and bearing a full share of establishment charges. It is not carried at a loss.

2627. Or even a proportional share of establishment?—Its proper proportion.

2628. If it is less than that it cannot be to the advantage of the railway company, but as to the trader it relieves the trader from having to bear on other traffic the whole of the administration expenses?—It is raising a question whether dumping is good policy or not.

2629. I do not know about dumping. That goes to the foreigner?—No, we dump sometimes.

2630. No doubt. This is what I have read, that as long as you meet the net additional cost the traffic is valuable to the railway, those words "net additional cost" being all you describe as the extra to cover the extra traffic?—I follow the argument if you have covered cost which included the fair proportion of all the establishment charges. If in fact you are carrying at less than cost, I should be very much afraid, although you might on that particular traffic get an apparent advantage, that there would be reactions which would tell against the prosperity of the railway company or against the prosperity of the nation.

2631. Yes, I see?—The argument that it is sound business to employ railway facilities, which are in existence and which would not be otherwise used, at exceptional rates, is opposed to the principle of no preference. On such an argument the railways could justify the maintenance of maxima rates on all traffic, which is essential to the country's existence, e.g., food traffic, and then take other goods at exceptional rates on the ground that the services must be maintained to distribute the food and that this being so it was sound business to use the carrying capacity of the food trains to the full. If there are to be no preferences the cost of the railway services must be spread fairly over all traffic. What can be done by the railways if they carry competition to the utmost has been demonstrated during the War. Then the railways acted under Government instructions in maintaining their peace rates although their cost was advancing all the time. They had then no desire to kill the coasting trade—indeed they suffered as much as anybody through the transfer of overseas and domestic traffic from the coasters to the railways. They were overwhelmed, and they were amongst the first to cry out for help. But it was not only the railways who suffered. The smaller ports suffered—their men and their facilities were left idle. The big ports suffered, for the flow of traffic was blocked. And above all the nation suffered through the waste of ocean ship carrying power and the resulting decrease in overseas supplies and the disorganisation of the distributing services. The penalty was in the increase in prices. Perhaps the general traders in the coasting trade suffered less than anyone as they were able to find profitable employment in other trades. This was markedly the case in 1919. The regular lines in the coasting trade, with their established businesses, were heavy sufferers. What the railways did in good faith during the War can be done again by them at any time if they are at liberty to use their power and resources to drive the coasters off the seas. The smaller ports and the coasting services are of the greatest value to the nation, and they will never be developed to the best advantage whilst they are left at the mercy of the railway companies.

Neglecting the facilities that could be afforded by ports which have fallen directly or indirectly under railway control cannot be regarded as honest competition. When Parliament sanctioned the creation of a port it was to advance public interests, not for the benefit of the promoters. If a railway obtains control over a port it should be held strictly to account to carry on the work of the port to the utmost advantage. If a railway company obtains indirect control over a port through the railways that are serving that port, it should be prepared to use those railway facilities to the full. They should not be used so as to kill traffic through the port.

2632. *Mr. Acworth:* Would you enlarge upon that; I do not quite follow that?—I will give you an instance of the tin-plate trade from South Wales, the export trade. The plates will be manufactured in the Swansea area. The works will be anything from

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three miles up to 14 miles from Swansea. The railways will quote a rate to take the tin plates from the works and put them alongside the ship in Liverpool. Say they quote a rate of 23s. 4d. There are 180 miles haul; it will work out as just over 13d. per mile. If there is a question of sending those tin plates down to Swansea, the haul will be anything from three miles up to 14 miles, and the railway rates per mile will vary from 4d. to 9d., according to the district. That is the kind of way by which the rate is made. You can get other instances.

2653. You mean, in other words, if it obtains control over the port it ought to send the traffic through the port as far as possible instead of carrying it in on its own railway?—I think it ought to give the port the facilities which it is giving the traders who are not using the port.

2654. Facilities mean rates in this case?—Yes.

2655. That is what I did not understand. I was thinking of facilities in the technical sense of plant?—No, I only mean rates. The neglect and non-development of the canals which have been captured by the railways cannot be regarded as honest competition. This question was dealt with in the Report of the Royal Commission on Canals in 1909.

2656. Have you the reference to the paragraph dealing with neglect?—Yes.

Mr. Acworth: Do not trouble to give it to me now, you can let me have it later.

2657. Chairman: They were not severe on the railways on that occasion if I remember?—No, I think they recognised, and I think I recognise, that the railways when they came into existence offered enormous advantages to the traffic. They offered safety, they offered speed and a multitude of services, and I think what the Canal Commission said, I do not know if you regard it as severe or not, was that the railways ought to have been content with using those advantages to the utmost, but they were not content with doing that.

2658. Mr. Jepson: I think the Commissioners, as far as I remember, absolved the railways from intentionally bringing the canals to grief. They quoted instances of particular canals which had gone out of use and pointed out that they were so unfortunately situated it would have been very difficult to keep them in use, such as the Wells and Avon and so on?—I think you will find it runs all through the Report that the canals had been crippled by the weak links in the canals. Whenever you come across the weak link it is very often that the railway company is the owner of the weakest and is never ready to do anything to improve that weak link.

2659. You do not suggest in your statement that the railway companies have obtained authority over the canals for the purpose of throttling them?—No, they were step-mothers.

Chairman: A very admirable illustration.

2660. Mr. Jepson: In other words the railway companies by the authority of Parliament had to adopt the canals as their step-children?—Yes, I agree Parliament is very much to blame. I may be wrong but I think it was absolutely deplorable that that condition was ever allowed to be brought into existence.

2641. At the time it was done it was thought it was in the interest of the canal companies to put them under the railways?—I take it at the time the canal companies had chucked up the sponge and were very anxious to have a step-mother. I am not putting any blame on the railways but that is what happened.

2642. In many cases they have been great burdens on the railway companies?—Under existing conditions they have been nothing but a burden, I should say.

2643. Mr. Acworth: You are aware that there is a special statutory obligation on a railway company owning a canal to keep it in repair?—I am aware that there is a statutory obligation.

Chairman: There is a common law obligation on a step-mother to look after her children.

2644. Mr. Acworth: My recollection of the report was that the Commission said the railway companies had fulfilled their statutory duty and had kept their canals in good repair. I want you to be kind enough to give me the reference, not now?—Yes, I will give you the book. I do not recall that finding. I had a great deal to do with investigating the conditions of the canals during the War to see what traffic we could get over the canals to relieve the railways and the ports.

2645. Do not misunderstand me, I am only saying neglect to keep in repair, I am not suggesting that they should spend large sums of money on capital for a moment?—No, but with regard to the repair, and the result of the information I obtained, showed the condition of many of the canals and some of the railway canals are absolutely deplorable. When we were in urgent need of the help of water carriage we could not get it. The canals had been allowed to silt up and the whole efficiency of the canal would be run down by a certain number of miles of silted up canal.

2646. Was that before the War?—No, during the War. That silting had not occurred during the War.

2647. I thought you said it had?—No, we found it during the War when we began to look for the relief.

2648. Mr. Jepson: One other word on that illustration. You did not suggest, when you spoke of tin plates between Swansea and Liverpool, that either Swansea or Liverpool ports were under the control of railway companies?—I suggest that Swansea is under the control of the railway companies; cargoes which are shipped from Swansea nearly all have to come over short hauls on the railway.

2649. I agree, but as regards the port itself it is an independent port governed by an authority in the same way as Liverpool is?—I absolutely agree, but, of course, in Liverpool so many of our cargoes come by sea and go by sea. In Swansea the cargoes that are to go by sea all come by rail. That was the only point. The railway company has control over Swansea, as Swansea is fed over the railways.

2650. Is there much difference between Swansea and Liverpool in that respect?—Yes.

2651. Does not most of the traffic that leaves Liverpool for export come by rail to Liverpool or Birkenhead for export in the same way tin plates would come from Swansea district to Swansea for export?—Yes.

2652. It does not arise in Liverpool. The traffic does not arise in Liverpool itself in the main?—No, in the main it does not, but there is a considerable proportion of it which comes in by sea and a considerable amount is manufactured in the Mersey now—the milling in Birkenhead. You remember Birkenhead is the second biggest milling centre in the world. We have all the soap traffic, we have all the chemical traffic, a great deal of traffic.

2653. I agree there is more coastwise traffic brought into Liverpool for export than into Swansea?—Yes, and the Mersey too. From the replies received by the Ministry of Transport there would appear to be a substantial agreement as to some of the general principles upon which the revision of rates should proceed, e.g.:—(a) The railways contend that the governing considerations must be mainly commercial—that a company's rates and fares should be such as in the aggregate will normally yield an adequate, but not an excessive, return on its capital or value. This principle does not appear to be challenged by any of the other commercial interests. (b) There appears to be agreement that rates for conveyance should be on a uniform basis and on continuous mileage, but there must be exceptions from the standard scales. (c) Classification should be simplified, but here again there must be exceptions from the standard classification.

2654. Mr. Acworth: What do you mean by that?—I was summarising what we understood from the shipping trade point of view, the points at which the traders and the railway companies had arrived in answering the questionnaire.

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2655. What is the meaning of exceptions from the standard classification?—That is what all the traders seem to say there will have to be.

2656. What meaning do you attach to it?—I am trying to get at the principle of it. We were not asked to answer the questionnaire, and if this document I am troubling you with seems rather long-winded—

2657. No, not in the least?—It is the first chance we have had of putting our general case.

2658. I was trying to make out what that phrase meant?—If I may say so, that is what the shipping industry has been trying to make out.

2659. Mr. Jepson: Does not it mean this? If you get grain and timber classified as they are to-day in Classes C or Class 1 or BC or I, and then you have a special scale for grain below the class, you call that an exception to the class. Is not that what is meant?—That is what we understand, the traders. I am trying here just to lead up to my own statement, to summarise the points to which, I understand, the traders have got. This is the point to which we have got.

2660. Coal is Class A, but it is never charged at the Class A rates; therefore, it may be said it is an exception to the classification?—That is what we understand. (d) Charges for services other than conveyance should be uniform, graduated in accordance with the class of traffic, and should be shown separately. If such general principles are applied not only in fixing maxima, but also the actual working rates, then the competition to which the coasting services would be subject would be fair and honest competition. If the coasting services cannot meet such competition by carrying under the standard rates, then they can render no real service to the country, and they and the smaller ports they serve must cease to exist. If the principles above referred to be adopted, and if in fact traffic can be handled more cheaply in port areas than elsewhere, then the railways could bring that factor into account in fixing the terminal charges in respect of traffic which either starts or ends in a port, and the reduction would apply whether the traffic was carried from or to another port or from or to an inland centre. All traders would be put on an equality. There is not agreement as to the principles upon which exceptions should be made in the standard rates for conveyance or in the standards of classification. As to the standard rates for conveyance, there does appear to be agreement that allowance should be made for traffic in bulk, whether in train or in truck loads. I think I should qualify that, except that some traders suggest that no such allowance should be made in respect of import traffic.

Mr. Jepson: Some traders have suggested that.

2661. Mr. Martin: Not before us?—Yes, I think they suggested it before you very strongly. I can give you the reference. The railways further suggest that exceptions should be made in the case of (1) Group rates; (2) Export rates; (3) Rates quoted to meet water or other competition. As to (1). If the grouping is for the convenience of railway working and is established with due regard to the interests of the group area as a whole, a case for exceptional treatment would appear to be made out. Points (2) and (3) raise questions of general policy of the greatest importance to the country. As to the suggestion that rates should be arranged upon the principle of assisting and developing export trade, the shipping industry would point out the risk of leaving the granting of such assistance to the railway companies and of putting the cost of any such assistance on to the rates charged to other trades. There would be no means of ascertaining what was year by year the total amount of the assistance given. Whatever sum was devoted to the purpose would have to be borne by the rates charged to other trades, and there would be no means of judging whether the railways were using the whole of the money they obtained from such other rates for the purpose of developing export trade, and

there would be no means of controlling the uses to which that money was put. The shipping industry is directly interested in every step which will develop export trade, but they are of opinion that if this is to be assisted it should be by direct action, and out of funds provided and used carefully for that purpose.

2662. Mr. Jepson: What do you mean by "direct action?" Do you mean State action?—If it is a bounty it should be given under the safeguards of the State and be used for the best interests so as to get as much export trade as we can. The assistance given should not be brought into account in fixing railway rates. If it is, then difficulties similar to those that have arisen in regard to "cut rates" will be created. For example, there is a big export trade from South Wales in tin plates. Very considerable quantities of these plates are carried on the ocean liners sailing from the ocean liner ports, and under peace conditions they formed a substantial part of the cargoes carried by the coasting vessels from the South Wales ports to the liner ports. If the export of tin plates from the liner ports is to be promoted by charging special railway rates from South Wales to such liner ports, then the coasters will lose the traffic, and this will imperil the development, and even the maintenance, of the general coasting services from the South Wales ports. The suggestion that the standard rates should be varied to meet competition raises a still wider question. What is the nature of the competition that is to be met? Is it only the competition of other carriers, as for example the canals and the coasters? If so the power has been used to kill the canals and to paralyse the development of the coasters? Is it to be used to strangle the development of road transport? Is it to be used for or against particular ports who are competing for overseas trade? Is it to be used against ports which are endeavouring to provide additional facilities for coastwise trade? Is it to be used for or against particular industries or particular localities? Is it to be used to promote or to exclude imports? The powers of the railways are enormous. What can be done through railway rates has been demonstrated during the war. It was the fact that the railways were carrying below cost that was largely responsible for the disorganisation of our overseas supplies, for the resulting shortage, and for much of the increased cost. The granting of exceptions to both the standard rates and to the standard classifications should be based on clearly defined principles which should themselves be based on railway traffic considerations. The power to grant exceptions should not be such as will enable the railways to control whatever traffic the nation desires to have carried, or the means the nation thinks best to employ in the carriage of such traffic.

2663. Chairman: We are very much obliged for this paper, which certainly brings a great many matters to our mind for consideration. I have looked also at the Schedules which you have attached to it and there is a great deal of valuable information in them. Glancing, generally speaking, at the Schedule of competitive rates which were charged, I find one or two are as low as 50 per cent. of the normal rates; but as a rule they range from about 70 per cent. to 90 per cent. of the normal rate, that is to say, from 10 per cent. to 30 per cent. below?—Yes. It is very difficult to give you an average because one has not got the quantities carried, but a rough and ready average works out at about that.

2664. The paper which was sent to us as an additional one has a summary of 112 items?—Yes.

2665. Average sea freight, 24s. 7d.; average terminals, 35s. 9d.; average total charge, 58s. 4d.; that is by sea, and the average rail charge, 42s. 3d., was 70 per cent. 2?—Yes.

2666. But that is a comparison of present coasting costs with present railway costs?—That is so.

2667. It is not a comparison of the railway competitive charges with the railway normal charges?—

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No. I have taken out the figures since I have prepared my statement on the Mersey routes, and I find that the percentage of the average excess of class rates over exceptional rates is 56 per cent.

2668. *Mr. Jepson*: Do you mind saying that again?—The percentage of average excess of class rates over exceptional rates is 56 per cent.; that is pre-war.

2669. In other words, the average exceptional rates are only 44 per cent. of the class rates. Is that so?—No. If you take the class rate at 100, the exceptional rate would be 64. That is a difference of 36 per cent.

2670. I thought you said 56 per cent.?—If you state it the other way for the purposes of comparison, the class rate on 100 is 56 per cent. above the exceptional rate on 64 per cent. Then I take the sea freights, that is sea freights and charges, in the same way, and the percentage of average excess exceptional rates over sea freights was 30 per cent.

2671. *Chairman*: The exceptional rates were above sea rates 30 per cent.?—Yes; so that if you take your class rate at 100, the exceptional rate would be 64, and the sea freights and charges would be 49.

2672. *Mr. Aeworth*: Is that pre-war?—Yes.

2673. That is between places like Liverpool and Glasgow. I suppose?—I took Liverpool and Glasgow, Liverpool and Aberdeen, Liverpool and Leith, Liverpool and Llandely, and Liverpool and Cardiff. I took all the rates for which I could get the figures.

2674. *Mr. Martin*: Supposing we were to take the actual rates that were in force at the present moment, what do you think you would require to put on the railway rates to make the coastwise competition effective?—I tried to test that. I assumed the present increase in class rates, taken all round, at 50 per cent. It is a figure which has been quoted here.

2675. *Chairman*: It is really more than that?—It is really more than that.

2676. It is less when you are dealing with coal and Class D; but it is substantially more if you deal in C and other classes?—Yes; you have the terminal charges, you know. I do not know what is the fair figure.

2677. No one has quite worked out what the figure is, because we have not the quantities, but it is more than 50 per cent. except in Classes A and D?—If I assume it at 50 per cent., then the increase on the exceptional rates will be 70 per cent. 50 per cent. on 100 will be the same as 70 per cent. on my 64 per cent.

2678. *Mr. Jepson*: If you are right in saying—I do not think you are right—it was 50 per cent. on the class rate—it was more than that—but whatever was the percentage on the class rate, the same percentage was applied to the exceptional rates for traffic coming within the class?—Except with regard to your terminals and your fixed things to come on.

2679. *Chairman*: Supposing there was an exceptional rate and it was in Class "C," and you added 50 per cent. to the exceptional rate plus 6d., plus 1s. 6d. for C and D; say, we added 50 per cent., plus 2s. 6d., to the percentage, which makes the whole.

Mr. Jepson: That equally applies to class rates.

Chairman: Certainly.—But your figure from which you are calculating your percentage of exceptional rates is smaller, so that the percentage is bigger. So that I took out the comparison on the last of my tables, in which I showed the railway rates prior to the increase, and the rates from the 15th of January, and I find that the increased freight averaged 70 per cent. It is quite a number of items.

2680. *Mr. Martin*: Will that be sufficient?—I do not know. May I just put you the result? Then I assume, and I think the facts before us bear it out, that the sea freight and charges have gone up 230 per cent. Now you have an assumed advance of class rates 50 per cent., exceptional rates 70 per cent., sea freight and charges 230 per cent. If you apply them to pre-war and work on the same basis, class rate 100, exceptional rate 64, sea freight 49, you get under present conditions, class rate 150, exceptional 109, sea freight 162.

2681. That would be a considerable increase on the present rates?—It is a difference between 162 and 150, if my 50 per cent. is sufficient. Of course, then there is not any margin to come and go out, and for the sea to attract the traffic, to provide for marine insurance.

2682. I was trying to get at really what, roughly speaking, would be the necessary increase to present railway rate or pre-war railway rates to induce traffic against coastwise competition, because that is really the point?—I might be able to guess if you told me what coal is going to cost the coaster. Is the coal supply to the coaster to cost the same as the coal supplied to the railways?

2683. *Mr. Jepson*: Taking the figure you have already arrived at of 230, could you tell us how much would be required on those bases, class rates and exceptional rates, to bring about a pre-war ratio between the cost by sea and the cost by rail?—Is it the ratio?

2684. I was assuming it was fair before. You say, 100 class rate, 64 exceptional rate, and 49 sea, so as to preserve that ratio. Now, having regard to the cost of sea having gone up to 230 per cent., how much would be required to put on railway rates to maintain that ratio?

Chairman: Does not it work out in this way? If all exceptional rates were swept away, then all rates would be 100 on your percentage?—Yes.

2685. Including port to port rates?—Yes.

2686. Add 62 to the 100 per cent. and you get 162 per cent. That would make them absolutely the same as the sea freight, but you have told us that the sea freight must be somewhat below the railway rate, because of the additional attractiveness of the railway route?—I am afraid I do not quite follow your first point. If you are comparing my pre-war 49 with my present 162, then should not I compare the pre-war class rate of, say, 100 with your 150 or 160 now?

2687. I think so. Assuming that the exceptional rates were swept away altogether and we left nothing but class rates. That has been increased for Class C traffic by 50 per cent., plus 2s. 6d. or 3s. 6d., because it is 1s. 6d. at each end for cartage—what percentage we must add for 3s. 6d. we do not know, until we know the length of the haul and everything else—still it is 50 per cent., plus 3s. 6d. for Class C, and it is 60 per cent., plus 4s., for all the numbered classes; then that will bring your original 100 up to something above 150, and your 100 for numbered classes to something about 162. Your 49, which was your pre-war sea rate, has risen to 162?—That is right.

2688. Therefore, it looks as if the railway rates for Class C and Classes 1 to 5 would, if we swept away all exceptional rates, be about equal to your sea traffic rate?—Yes.

2689. But you have told us that would not be enough to enable you to get back the traffic because of the additional advantages of carrying by rail?—Then I should have two points or possibilities in my favour. I should have two points to fight with. One would be coal. If I was charged for sea the same price as the coal is supplied to rail, it would help in enabling me to bring down freights.

2690. *Mr. Martin*: It is much more now?—Yes. The other point—and the other point is a very big one—is this. At the present time, speaking generally, the coasters are not running half full even. They have to earn enough on a half cargo to cover the whole voyage. If we could get back some of the old trade then again we could compete in freights.

2691. *Chairman*: Therefore, you would be very much better off if the railway traffic were from 155 to 165—taking different journeys for a distance in a particular quantity—than if it were 64?—Yes.

2692. Or 64 plus 50 per cent?—Yes; at 155 to 165 we should have a dog's chance, and we should have to improve that chance by our exertions, because we should have to bring our scale of charges below the railway or we should not get the business.

2693. Then I take it as a business man you would hardly advocate that the rates from port to port

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should be higher than the normal rates of the country?—You cannot do that.

2694. Am I right in thinking that you consider the most you can ask for is that all exceptional rates from port to port should be swept away—that all exceptional rates which really owe their existence to water competition should be swept away?—Yes. May I remind you that I am not only speaking for coasters, but I am speaking for the shipping industry as a whole. It is of vital importance to us that the inland system of distribution should be in the highest state of efficiency, and naturally at the lowest cost which is consistent with that. We are thinking of overseas ships as well as coasters. We want the railways to prosper. One witness told you the other day that a hard-up railway was no good to them. A hard-up railway is no good to shipowners; we want them to prosper.

2695. I gather the effect of your evidence also is that even if all these exceptional port-to-port rates—the rates affected by water competition—were swept away there is no probability for the present, or for some time to come, of water competition underselling railways to an extent which will be prejudicial to them?—I should think not, but there, you must remember, it is very difficult to give an answer. Our coasting trade is open to the ships of the whole world. If things go badly in the coasting trade in other ports, then all the ships under that flag will come here. You put a point to Sir Robert Aske yesterday about shipping coming under some form of control, and it seems to me that that is the real consideration that we have to take into account. You cannot say what rates will be, unless you have some idea of what the volume of traffic will be. When you have got an absolutely unlimited competition from all the ships of the world in all the ports of the world you never can be sure of what the traffic will be. When you are dealing with railways, they have fixed interests and fixed rates over different localities, and you can estimate what the traffic of those localities will be which must go over the railways; but when you ask me what is going to be the course of rates in the near future, looking at it from the British shipowners' point of view, I do not think there is any reasonable ground for believing that the cost will come down so much as to enable them to harass the railways with undercut carrying, but I have to qualify it by saying that the market may be flooded by outside boats.

2696. It is also the fact that English labour organisations are working very hard to bring foreigners into line to prevent cut wages?—Yes, there is a conference going to meet at Genoa next week about hours of labour and wages. Of course we are going to this international conference. There is a great deal of talk and sometimes a great deal agreed to, but we do find that there is very little carried out. We carry out whatever we agree to and the cost goes up accordingly, but we have to meet the competition which comes along and which apparently has not paid very much attention to what has been agreed to. You cannot be too sanguine of what happens at these kind of international deals.

2697. Mr. Jepson: What is your suggestion, in a case like this? You say for the immediate future there is not likely to be any strong competition, so far as water and railways are concerned. Supposing your cost of bunker coal could come down and other costs come down, so that the shipping companies are in a position to compete, even with the new railway rates, with the railway companies and take traffic from them, do you say that the railway company should not be free to vary their rates to meet that competition between port and port?—I think not. As I understand it, this inquiry starts with a view of establishing an income which will be sufficient to maintain the railway companies in prosperity. Then it sets to work to spread the calculation of that income fairly over the different classes of traffic that have to be carried. If you establish an equitable spread, I do not think that the mode of competition

should be a sufficient justification for breaking in on that equitable spread.

2698. It might be that competition by sea would attract traffic from the railway companies which they are carrying to-day?—Yes.

2699. Or under the new system which might be put into operation?—Yes.

2700. Are they to stand still and see that traffic go away from them without making any effort to reduce rates to keep it on their line, provided they do not go below what is a fairly paying rate? I am asking now port to port—if you like. Liverpool to Glasgow?—Yes. I quite feel the difficulty of it, and I suppose it is a question of degree, but if I concede the principle, "Yes, you may cut to meet competition," you will continue what to my mind has been the very disastrous position which we have been in for the last 30 or 40 years, when we have paralysed the development of distribution by sea. I believe, if we had gone on those lines, the country would be far more prosperous, and the railways would be doing far better, although there was much more sea distribution. I think it is of the utmost importance to use our power of carriage by sea to the very fullest possible extent.

2701. Chairman: I suppose any economist or any wise trader would say that everybody ought to carry the things they are best suited to and can most economically carry?—Yes.

2702. Really the only way you can arrive at that is by testing the market in competition?—Yes, I agree.

2703. Coals from Newcastle to London obviously should only come by sea?—During the war they came by rail.

2704. Yes, and with very unfortunate results?—With disastrous results.

2705. Mr. Jepson: It was an unprofitable carriage?—It had disastrous results for all of us.

2706. Mr. Martin: That was not because of the inland rates?—That was the Government.

Chairman: It was largely due to war circumstances that the east coast was so dangerous.

2707. Mr. Jepson: If you take that view with regard to port to port traffic proper, how far inland would you apply that principle? In the illustration you gave us just now you spoke about tin plates in the Swansea district which are made 3 to 14 miles from Swansea. Do you suggest that the railway company should not carry those distances to Liverpool, that they should in all cases bring the traffic within 14 miles down to the port by ship when they can provide the route for it?—Certainly let them carry to Liverpool, but do not let them carry at the exceptional rate.

2708. Who is going to fix the figure at which they shall carry?—That, I take it, would be fixed here. If this Committee were dealing with the tin plate trade, it would come into one of your tariffs. Possibly if it were tin plates for export it would come into some other tariff.

2709. Before the war that traffic was fairly divided between coast vessels and the railways?—It was fairly divided.

2710. The coast vessels got their share and the railway companies got their share. Do you object to that principle prevailing in the future?—But who is to settle what the share is?

2711. Mr. Asworth: I am puzzled on a practical point. You will agree, I suppose, that steamship freights always fluctuate considerably?—Very.

2712. At one time it pays a shipper to take at 50s. and at another time he will take at 15s.?—Yes.

2713. This is the point which occurs to me. Supposing this Committee establishes a basis. Let us say that their shipping cost is 25s. and that is the lowest you can do it, and the railway rate is fixed at 50s.?—Yes.

2714. If the conditions changed, and the shipper puts up a much higher price, you are throwing all the traffic on to the railway?—Yes.

2715. It seems to me that the moral of that would be that you would always have to have facilities on the railway to handle all the traffic that might at a given moment be thrown on it. If you allow the railway rate to shift to some extent, you can

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distribute the two equally. If you tie the railway, and leave the steamer free, the railway has to provide suddenly for the chance of having to carry it all?—I have not suggested that you should fix the railway carrying charge in relation to the sea freight. All I would suggest is that when you are fixing the railway charge on the basis which I understand you have in mind, spreading the total income over the traffic which has to be carried according to the classes, you should make no exceptions or allow no exceptions for the purpose of undercutting sea. I do not think it would be right for the shipping industry to come here and ask that railway rates should be established to enable them to earn this or that, or, if you please, to live. If we cannot live when you have done your work, and spread your rates equitably over the traffic, then we must die or go to the State and say, Now it is a matter of bounties for us, or it is a matter of nationalisation. We have not met there yet, and I do not think we shall ever get there.

2716. It is a little difficult to follow your figures. Do your figures show, on the present view, that if you did cancel all exceptional rates, port to port, and did come back to the class rates, would that be a rate at which the steamers could live to-day?—It would give us a dog's chance.

2717. It would give you a dog's chance?—Yes. Even with coal as it is and the short cargoes we are carrying. We could only pull it off if we were at an equality with the railways with regard to coal, and we increased very substantially the kind of traffic we got.

2718. That is on the rail rates as they are, if the exceptionals were wiped out?—Yes.

2719. Mr. Martin: Then your charges are up 250?—Yes.

2720. Supposing your charges came down 100 per cent. of that 250 in the next two or three years, then your traffic would be very competitive to the railways and you would be making large sums of money?—Yes.

2721. And the railway company seems to be tied to the old rate?—The railway companies could then come forward and get the whole rates revised. I think the main factors will be coal and labour. I think those are the big things. They will affect both industries.

2722. Then the rates would come down for the railways?—I think so, if we ever get to that happy time in which operating charges begin to go down.

2723. Chairman: You spoke very truly of the railways undercutting the steamships, but you must also bear in mind that the steamships undercut the railways?—Yes.

2724. It is diamond cut diamond, is it not?—That is so. I do not want to put it unfairly, but of course the railways would not be here before you, unless they had a very big advantage. You are not sitting with a view to making people pay shipping freights which will bring in an income which will work the ships and fully maintain the ships and provide for developments and leave them a return on their capital. The State, if you are representing the State, is asking the ships to do their best in a world based on absolutely free competition.

2725. Mr. Martin: There ought to be the same right for the railway companies, if charges come down, to reduce their rates as there is for the shipping companies to reduce their freights?—Certainly. I take it they would come here.

2726. Mr. Jepson: As regards a good many of the shippers, if they find through stress of competition with other liners that they cannot make their vessels pay, they can take their boats and go and trade somewhere else?—Yes.

2727. The railway companies cannot do that?—No.

2728. They have got to make their lines, as they stand, pay?—Yes.

2729. They are not mobile like a ship?—I know; but I had a great deal to do with getting coasters back when the subsidy was given—you have no idea

of the difficulty of getting the coasters back. They had got a far more profitable employment last year.

2730. One great reason is—you have spoken of it in the evidence you have given us this morning—is that the difficulty was that the railway rates had not been put up?—Quite so.

2731. To meet the increased charges which the railway companies were incurring during the War, while the shipowners had to meet their increased charges. The fault really lay with the Government or somebody in not putting the railway rates up at an early stage during the War?—Certainly.

2732. If the railway rates had been put up at an early stage during the War, it would have relieved the shipowners of a lot of difficulties and the nation?—Yes.

2733. Is that your view?—Absolutely; but disorganisation in the distribution of traffic, and the loss of ship-carrying power resulting from that, did far more than anything else during the War to shorten supplies throughout and to put up prices. It was an absolutely deplorable mistake that was made.

2734. Mr. Martin: There was a further reason for the non-increase in the coastwise traffic, even when the subsidy was made, namely, the trader was under the tremendous disadvantage of having to do all sorts of things to get rebates back?—Yes, when the subsidy came.

2735. Mr. Jepson: I suppose you would agree also that one reason for the decrease in the coastwise traffic during the war was that the Government commandeered so many of the vessels that were engaged in that coastwise traffic, and they were using them for mine-sweeping and all sorts of things round the coast?—Yes; but I do not think that accounts for anything like the decrease in the numbers of vessels. We were using trawlers and we were using different types of vessels, and we did take a number of the coasters, but there were always coasters wanting employment during the war.

2736. Apparently, on your figures coastwise traffic has not very much increased in the last year?—No.

2737. There may be two reasons for that. One may be that it is such bad business that they do not care to go into it, and the other may be that their trade to the Continent is so profitable that they do not care to go back to it?—No. I think the explanation is given by my figures. The increase in January of the rates at which the railways were carrying is at 64 under pre-war conditions has gone up to 109, but the sea freights and charges, which were 49, have gone up to 162. Practically the only traffic the coast lines are getting to-day is the traffic which carries a subsidy. That is a traffic which is coming from overseas, or going overseas. The coasters have got back none of the domestic traffic. That is all being carried at the exceptional rates by the railways.

2738. You will agree with me that if it were true that the profits of carrying stuff from the Mediterranean, or somewhere of that kind, which must come by sea, were sufficient to cover its great increase of expenditure and also to leave a handsome profit, the coaster naturally would not want to come back to the coasting trade?—It could not be the Mediterranean; it must be the near Continent.

2739. Is not that part of the explanation, that they are making very handsome profits there?—Yes, there is a pull at times—a very strong pull in the French coal trade. Then there was a very big trade in taking provisions over to Antwerp and such places—a very profitable employment. I think one can safely say that the coasters here that are available and are running, are not half full.

2740. Chairman: Is not there an increase in April?—I have forgotten what the figure was for April. It is not anything very big. It is in the Board of Trade monthly return. May I get it for you, as I am afraid it is not here?

2741. Thank you, very much. I would just like to know whether the increase in railway rates has

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had any effect?—Since January—I do not think it has. It is the subsidy that has had the effect.

2742. *Chairman*: The subsidy was in operation at the end of last year?—Yes, earlier than that.

2743. I wanted to know really whether the increase in railway rates which took effect as from the 15th January has had any effect on the amount of coasting entrances?—I will give you the figures of the coasting entrances.

Mr. Balfour Browne: I gave you the figures yesterday as they were given in the House. The monthly return for April, 1919, showed 1,540,474

tons, and the monthly return for April, 1920, 1,987,563 tons.

2744. *Chairman*: Then there has been an increase of 487,000 tons since 1919?—Yes. We jumped when the subsidy came, but I do not think there has been any substantial increase since the subsidy.

Mr. Jepson: Those were the figures you gave me last evening.

Mr. Balfour Browne: Yes, I did.

2745. *Chairman*: You will give the intermediate figures?—Yes, I will get you the figures month by month.

Cross-examined by Mr. BALFOUR BROWNE.

2746. I want to ask you a few questions, and if I repeat anything which has been said by the tribunal I must apologise, because there is such a fascination in your questions that the witness turns away and I do not hear his answer.—I am very sorry.

2747. On page 2 of your Statement you say this: "It is recognised that the railway companies collectively occupy a position very similar to that occupied by the shipping industry; but, taken individually, the railway companies have interests other than those of the maintenance of the flow of traffic generally."—You remember that?—Yes.

2748. I take it there is no doubt that the interest of the trader may be taken to be the same to some extent as of the shipowners and of the railways. We are interested in both?—Collectively.

2749. We use both.—That is agreed.

2750. And to use a word that you yourself have used later on, and which I will come to, fair competition between those means of transport would be an advantage to the trade of the country?—I should say a necessity to keep things healthy.

2751. This attitude you take up on page 2 rather favours the idea of an amalgamation which, as we know, the Ministry of Transport has in its mind. It proposes to form larger groups of railways, and, to some extent, individual competition between railway companies would then cease?—Well, I do not think that was in my mind in drafting the Statement.

2752. Now you have it in your mind, I dare say you will agree with me, because you go on: "The interests of the individual railway company are limited to traffic that can be passed over its own lines, and in the routing of traffic it is directly interested in securing the carrying for its own lines." For the purposes of to-day, we must take those lines as individual lines?—Yes.

2753. Because they are not grouped yet?—No.

2754. Is it wrong for a railway company to try by all legitimate means to get traffic for its own lines?—Certainly not.

2755. Take the illustration that was given by somebody yesterday of traffic from London to Hull, Halifax, and Huddersfield. There are three places beginning with H which are sometimes grouped, but I will group those three. If the rate between London and Hull were not lowered to meet sea competition, the Great Northern would get none. Do you follow that?—Yes.

2756. Therefore, it is legitimate for the Great Northern to reduce its rate even below the Halifax or Huddersfield rate, in order to meet the sea competition. Are we agreed so far?—That the Great Northern should carry from London to Hull for less money than it is carrying from Halifax to Hull?

2757. No. Suppose the rates from Huddersfield to Halifax are higher than the one which is necessary to compete with the sea coast traffic of Hull, surely it is a legitimate thing for the Great Northern to say: "If I charge the same as I charge to Huddersfield I will not get any Hull traffic," and it is a legitimate thing, surely, to say: "I will lower it to meet sea competition."—To meet the sea competition out of whose money? You would meet the competition, but whose money would you use to meet the competition?

2758. Let me ask a question to found that. Do you agree with me that wholesale goods may be sold cheaper than retail?—They are, certainly.

2759. Supposing I offer a railway company 1,000 tons of traffic, is it fair that the railway company should give me a lower rate than another man who only gives them a casual ton?—Certainly, give you a better rate for wholesale.

2760. Then large quantities may be a sufficient reason for reducing a railway rate?—Certainly.

2761. In the same way competition by sea is a perfectly good reason for reducing a railway rate?—Yes; but reducing below cost, do you mean?

2762. We will come to that, but first reducing. Supposing the railway company never reduces below cost, is it bound to have the same amount of profit on every ton of traffic on the railway? Must it have, for instance, the same amount of profit on a ton of coal as on a ton of silk?—No.

2763. Of course not?—But I should have said, if you are to adhere to the principle of no preference, a ton of coal, having regard to the way in which it is carried, should be charged the same whether it is going north, south, east, or west.

2764. You are really ignoring altogether the question of competition?—I think so. Whose money are you going to meet the competition out of?

2765. If I may speak for the railway company, I am going to meet my own. I say I can carry the whole at the cost price, plus a very small profit?—Yes.

2766. Surely that is legitimate?—You could also do that to Huddersfield or any of the other towns you have instanced.

2767. Surely not. You admit that on some things I may have a higher profit than on others?—Because your cost of operation is less.

2768. You have already said, for instance, that I might have a thousand tons at a cheaper rate than one ton.—Because the cost of operation is less.

2769. In order to get the traffic at all, the Great Northern Railway Company may have to lower its rate as compared with Huddersfield—in order to get the traffic away from the sea. Is not that in the interest of the Great Northern if it charges the cost and a fair profit and also in the interests of trade?—I should have said it was against the general interest of trade.

2770. Let us see where the difficulty comes in. You agree, I dare say, that if the maximum rates are fairly fixed by a tribunal, so far as they are concerned there would be no difficulty?—No.

2771. You have heard the proposal to have standard tariffs for various articles that are at present carried at exceptional rates?—Yes.

2772. Iron, steel, groceries, and things of that sort?—Yes.

2773. If there is a standard rate fixed for those, and the company cannot charge above that standard rate, so far as they are concerned, you are satisfied?—Yes, quite; but you must remember what the Chairman has pointed out.

2774. I did not hear it.—If there are going to be many exceptions you will have to keep that standard high. If there are going to be no exceptions the standard can be one which is sufficient to bring in the income required.

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2775. I am dealing with the standard only. So far as the standard is concerned, if it is fixed by this or any other tribunal upon a fair basis you are satisfied with that?—Yes.

2776. Now we come to the things you do complain of—exceptional rates. My friend, Sir Robert Aske, said yesterday what he objected to was the power between the trader and the railway company to fix exceptional rates. That, I take it, is the objection?—Yes.

2777. Supposing there was a power for anybody, including the Chamber of Shipping such as you represent, to go before the tribunal and complain of a certain exceptional rate as being unfair, would that satisfy you?—I think it would be very unfortunate to bring about that result. I should have thought that standards were a safe basis to work on and to adhere to.

2778. You have already admitted that there must be exceptional rates, because you have given me a rate for a thousand tons as lower than the rate for one.—That would be provided in the tariff, I take it.

2779. Surely not?—I should have thought so.

2780. If I send 500 tons, surely the rate must be a matter of bargain between the railway company and the trader in the first instance with a complaint to the tribunal if it is unfair?—I should have thought that would have been provided for in the tariff.

2781. On page 14 you begin the real argument of your very interesting paper. You say, "The coasters must be prepared to meet all honest competition." If these exceptional rates that you put upon this paper were done away with, would not the result be that it would all go to the coasters and the railway companies would not get it?—It depends what other railway rates you insert, and that, I take it, is what this tribunal is going to do.

2782. Is not it your case that these rates on the railways were quoted for the express purpose of getting the traffic?—Agreed.

2783. It is no object of the railway company to charge too little?—No.

2784. They want to charge as much as they can?—Yes.

2785. Supposing all these rates were cancelled, the whole of the traffic would go to the coasters?—But what other rate would you put in for the railways to charge?

2786. I am not going to put anything. I am only suggesting what you want is a monopoly not for the railways but for the coasters?—I have not said one single word in support of that view.

2787. You are complaining of the exceptional rates?—I am.

2788. Fixed absolutely for the purpose of competing with coasters?—I am, and I am saying that those exceptional rates should not be granted.

2789. Upon page 4 you say: "The coasters must be prepared to meet all honest competition?"—Certainly.

2790. Why do you say that is dishonest competition?—I say that rates which are somewhere about 36 per cent. below the class rates cannot be giving a fair return to the railway companies for the services rendered.

2791. That is merely a general indication of opinion; it has no basis in fact. You have already agreed with me that the railway company's object is to get as high a rate as it can?—Agreed.

2792. Therefore these rates that have been quoted upon various places mentioned in this table are as high as they can get having regard to sea competition. Why should not they compete with sea?—Certainly let them compete with sea.

2793. They should?—Certainly.

2794. Then we are agreed?—But they have to compete within the powers given to them by this committee.

Mr. Jepson: I do not think you caught Sir Norman Hill's answer there, Mr. Balfour Browne. Sir

Norman Hill said that the railway companies would have to compete within the standard rates laid down by this committee. I wish you would follow that point out with him. He has admitted there should be fair competition; in fact, he has said it is necessary there should be fair competition. If that competition means that the railway companies had to go below the standard rates, how is it to be brought about.

2795. Mr. Balfour Browne: That is it exactly. We have already dealt with the scale rates; that is the maximum rates?—Yes.

2796. We have dealt with the standard rates, and now I am dealing with the exceptional rates—some thing below the standard rates?—Yes.

2797. Do you follow me?—Below the tariff.

2798. Below the standard rate. Supposing a man comes and says the standard rate for groceries is 20s. "I would deliver in such a way that it would save you cost and I must have something lower than 20s." If it saves cost to the railway company are they not entitled to say: "I will give you a rate below 20s."?—You mean if the cost of operation is reduced to the railway company, may the railway company reduce its charge?

2799. Yes?—I should say yes, but that is not the question you put to me, Mr. Balfour Browne. That has nothing to do with meeting competition.

2800. We have got three sets of rates. We have the maximum rate; we have the standard rate, and the reduced rate in consequence of the saving to the railway company. Is it a fair thing that the railway company and the trader should settle the exceptional rate in the first instance between themselves? Is it fair?—The reduction which is to be made?

2801. The reduction which is to be made from my 20s.?—To meet a reduction which is dependent on the trader asking for less services from the railway company?

2802. That is to be settled in the first instance between the trader and the railway company?—Agreed, for less services.

Mr. Jepson: Not necessarily for less services. Sir Norman Hill makes it a condition that the application should be because of less services.

Mr. Balfour Browne: That is only one consideration.

Mr. Jepson: That was Sir Norman Hill's point.

2803. Mr. Balfour Browne: Also competition comes in there. If the trader says: "I will send all this by boat from London to Hull unless you give me a rate below standard rate," is not it justifiable on the part of the railway companies to say: "I must give you a lower rate"?—I think it is not justifiable for the railway companies to do it.

2804. That is to say, you want protection for the railway company by preventing fair competition on the part of the railway company?—I do not think that is quite a fair way of putting it.

2805. I like to put it in that way?—Yes, but I would suggest that this is a fairer way to put it. It will be the duty of this tribunal to establish rates that are to be charged by the railway companies. In establishing those rates they will have regard, amongst other things, to the cost of operation, and everything else, and the class of traffic. When this tribunal has said that that is fair and equitable, I do not think that the railways should cut that rate for the purposes of competing with other forms of transport.

2806. Why do you object to my proposition? Supposing that the railway companies say I must give this man a lower rate on Hull, otherwise I will not get the traffic, and the railway company quotes a lower rate, are not the public protected if that rate can be challenged before the tribunal?—If you concede the power to do it you will get back to the miserable conditions in which we were during the war, when nobody suffered more than the public.

2807. I have forgotten the conditions during the war.—I have not.

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2808. Here is a rate agreed we will say between myself and the Great Northern. I say, "I want to send to Hull. I cannot send by you unless you quote me a lower rate than the standard rate." The Great Northern quote me a lower rate. That rate can be questioned by you if you go before the tribunal, but if allowed by the tribunal it can be put in force. Is that fair?—I see no reason why the Great Northern Company's rate should depart from the rates fixed by this Committee.

Mr. Jepson: That seems to me to shut out the element of competition altogether, does not it?

Mr. Balfour Browne: It does. If that is to be the case say your enquiry would have very curious results.

2809. Mr. Jepson: I am not quite sure that Sir Norman Hill goes really so far as that. You do not suggest that fair competition between steamship companies and railway companies is an unhealthy thing?—Very healthy.

2810. Is it a very healthy thing?—Very.

2811. Is not it rather a thing to be encouraged provided it is fair competition?—Provided it is fair competition.

2812. Let us assume a case where after this standard schedule of rates is set up the railway company finds it cannot compete on the standard, and their traffic is gradually being abstracted by some coastal boats?—Yes.

2813. By arrangement with the traders they are prepared to quote something less than the standard in order to retain their traffic?—Yes.

2814. The shipping companies would say you must not do that on your own initiative. Are you agreeable it should go to a tribunal to say whether it is fair or unfair?—I understand the position you are putting to be this. The railway companies in their working find that the spread of rates fixed by this Committee would deprive them of certain traffic. They want the spread of rates adjusted.

2815. Chairman: Not necessarily; it may be a local rate. Take this case: port to port competition has become very severe, and not only is it competing against the railway company, but there is competition between one shipper and another shipper, so that all the rates fall substantially below the railway rate?—Yes.

2816. Shall we say 30 per cent. below the railway rate, and the railway is losing its traffic. It cannot afford to put down its rates to everybody by 30 per cent., but it comes to this tribunal, or whatever tribunal takes its place, and says: "We are losing the whole of the coastal traffic. Unless we can put down the coastal traffic or the traffic which is going by the coastwise service 30 per cent. we shall lose the whole; we shall upset the balance of the whole concern, and have to come back to you to raise the rates everywhere. We ask that you should sanction our putting down our rates where there is coastal competition by 30 per cent." Do you say that would be wrong?—The point would be so small as to not increase the other rates.

2817. We will assume that you are not asking to increase the other rates. The only question they put is: "If we can reduce our competitive rates along the sea routes we shall be able to hold our own sufficiently to ask nothing more, but unless we reduce those we shall lose the whole of our port to port traffic, and that will make it necessary for us to come to you for an increase of rates"?—Well, we will never develop coastwise traffic on that kind of position.

2818. You did not do badly before the war?—We did very badly. It was really disgraceful the way it was neglected. You have no idea of the difficulties in all parts of the country in getting anything done. It was a trade which was at the mercy of the railways. You could not get money spent to improve the facilities in any shape or form.

2819. Mr. Balfour Browne: To come back to your memorandum, upon page 14 you say: "If it be the fact that the 'cut rates' are below actual cost, then it is clear that one class of trader is being preferred, and at the expense of other classes of

traders." My learned friend, Sir Robert Aske, made that point yesterday: "The loss must be made up by someone, and it can only be made up by placing additional charges on other traders." Do not you think, if a special rate goes before the tribunal, they would prevent the railway company doing any such thing?—Well, I do not know. The people who will go before the tribunal will be the railway companies who want it and the trader who wants it, and the chances are there will be nobody else who will take any trouble.

2820. According to our view, there is to be an impartial Chairman?—Yes.

2820a. And an impartial Chairman would say, "It is not fair competition of a railway company if it is carrying below cost price," at least, I should have thought so, though I may be wrong?—I think the Chairman said that in the absence of somebody to take the part of the devil's advocate, the chances were that the tribunal would approve whatever was agreed to.

2821. You say further on: "The same result follows, but in a less degree, even if the 'cut rates' do cover actual expenses, but leave no profit." On the following page you say: "The argument if it is sound business to employ railway facilities which are in existence, and which would not be otherwise used, at exceptional rates, is opposed to the principle of no preference." Are you aware that it has been decided in the Court of Appeal in England, when Lord Herschell happened to be Chairman, that competition between railway companies is a perfectly legitimate ground for reducing rates under the present law?—Yes.

2822. There is no proposal to alter the present law with regard to undue preference, or undue prejudice. Nobody has proposed doing that. Do you know that?—Well, I thought the object of this inquiry was to establish these new scales of rates, and in doing that very particular regard would be had to the principles of no preference.

2823. But not to upset all the principles of business, and one of the principles of business is that there may be competition, and if there is competition then it takes the preference out of the category of undue. Again, I do not want at all to defend the railway companies, but upon page 16 you say: "Neglecting the facilities that could be afforded by ports which have fallen directly or indirectly under railway control cannot be regarded as honest competition." Are you aware that under the existing control there is an absolute remedy for that by Section 30 of the Act of 1888, which says: "Any port, or harbour authority, or dock company which shall have reason to believe that any railway company is by its rates or otherwise placing their port, harbour or dock?—otherwise, you see, covers facilities?—at an undue disadvantage as compared with any other port, harbour or dock to or from which traffic is or may be carried by means of the lines of the said railway company, either alone or in conjunction with those of other railway companies," may apply to the Commission under the Railway and Canal Traffic Act. Have your people ever applied complaining that facilities are withheld at railway ports?—I think that there have been applications by port authorities, but I personally have never been concerned in them.

2824. I should like you to mention a case, because I do not remember any port authority that has applied except London in connection with Southampton?—Yes, the Port of London had a fight with Southampton with regard to the South-Western.

2825. That was not with regard to way of facilities but merely with regard to the rate charged for ham, cheese, and so on, between Southampton and London?—Yes.

2826. We now come to where we are very much agreed—the same page: "The railways contend that the governing considerations must be mainly commercial." Do you quarrel with that?—No.

2827. Then we are agreed "that a company's rates and fares should be such as in the aggregate will normally yield an adequate, but not an excess-

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sive, return on its capital or value." First of all, I take it that you will agree with me that the first matter to be considered in a railway fixing rates is that their costs, charges, and expenses must be covered?—Yes.

2828. After that, does it seem commercially unfair that there should be some return upon the capital usefully employed by a railway?—There should be an adequate return.

2829. There should be an adequate return?—Certainly.

2830. Then we are agreed so far. Next: "(B) There appears to be agreement that rates for conveyance should be on the uniform basis and on continuous mileage, but there must be exceptions from the standard scales." We are agreed on that, that there are to be exceptions, and if those exceptions are undue preference the tribunal will remedy them?

—You understand that you are reading my summary—my idea—of the points that had been arrived at on the Questionnaire?

2831. Yes.—These are not opinions I am expressing.

2832. I only wanted to have your acquiescence in those points. I take it that you do not differ from them?—The only question I have raised is as to the principle under which the exceptions are to be granted.

2833. Yes, I follow that; and we have already discussed it. Then: "(C) Classification should be simplified, but here, again, there must be exceptions from the standard classification." Do you agree to that?—Yes, subject to agreeing the principle of the exceptions.

2834. At the same time I think you will agree that the classification if defective to-day should be made to cover all commodities as far as possible?—Yes.

2835. Therefore it ought to be amplified?—Yes.

2836. "(D) Charges for services other than conveyance should be uniform, graduated in accordance with the class of traffic, and should be shown separately." You agree with that?—Yes, certainly.

Mr. Jepson: Would you call, Mr. Balfour Browne, Sir Norman Hill's attention to his own expression of opinion on these principles? He said he was only gathering this from the replies to the Questionnaire, but he gives his own opinion on the top of the next page.

2837. Mr. Balfour Browne: Yes. (To the Witness.) You say on the top of page 17 of your Proof: "If such general principles are applied not only in fixing maxima, but also the actual working rates, then the competition to which the coasting services would be subject would be fair and honest competition." As you know, actual rates are to be fixed, but if they are changed there may be an application to the tribunal to be established. Would not that make you perfectly safe?—I should think so.

2838. You go on to say: "If the coasting services cannot meet such competition by carrying under the standard rates, then they can render no real service

(Adjourned for a short time.)

2847. Mr. Balfour Browne: Just one question about the last of those paragraphs upon page 16. It says: "Charges for services other than conveyance should be uniform, graduated in accordance with the class of traffic, and should be shown separately." With regard to those last two words, "shown separately," can there be any harm to the railway company to show the charges separately, say, for loading and unloading, for station, and for conveyance, if they get an adequate amount?—I should have thought not.

2848. So long as they get enough to cover the three services there can be no injustice to them in stating them separately?—I should have thought not.

2849. I am not quite sure that Sir Robert Aske quite did justice to your trade yesterday when he said that in many cases—perhaps he was right there—traders preferred railways to coasting steamers as

to the country; and they and the smaller ports they serve must cease to exist." That we have already discussed. Then the only other points you raised of great importance are the three: (1) Group rates; (2) export rates; and (3) rates quoted to meet water or other competition. With regard to group rates, I dare say you know in the first instance they were suggested by the traders of this country and adopted by the railway companies?—Yes.

2839. Is there any objection to them?—I should think not.

2840. But every group rate makes some person carry a less distance than another at a lower rate?—Yes, it has to be adjusted carefully to meet the needs of the railway company and of the trader.

2841. A group system is a system of exceptional rates?—Yes, agreed.

2842. And there, again, would it not be perfectly fair that the railway company should group so long as the group is a reasonable one, with an appeal to the tribunal if they did what was unreasonable?—Yes, I think so.

2843. With regard to export rates, I think we are agreed that it is not so much a matter for the railway companies, because, after all, a railway company is not Providence and has no right to regulate the policy of this country; it is more a matter for the Government of this country. Are we agreed there?—Yes.

2844. I think you have in your mind an idea that a railway company is entitled to carry traders' goods to a certain place in order to allow that trader to compete with some other body. Is that your idea? Let me give you an illustration. It was mentioned that certain biscuit makers in this country have their goods carried at exceptionally low rates to Carlisle in order to allow them to compete with Scottish biscuit makers?—Yes.

2845. Surely that would be an entirely wrong principle to allow a railway company to determine who is to compete with whom?—I should have thought it was quite wrong. My real interest is this. I think, speaking for the shipping industry, we want the standard rates and the tariff rates as low as possible, and we do not want to see those kept up for the purpose of conceding exceptional rates; and I should have thought the case you have given is just an example of where it would be a deplorable thing to keep standard rates up to give such exceptions as that you have indicated.

2846. I want to use that rate to illustrate what we have already gone over. Supposing the railway company said: "We have no business to encourage biscuit makers in London, but if we do not quote a rate to Carlisle to enable them to get there we shall not get anything at all." Is not that a perfectly legitimate thing for them to say?—I should have thought it was not legitimate.

Mr. Balfour Browne: Very well. We come to an issue on that.

a means of transit. Surely for a great deal of traffic ships are more convenient than a railway to carry from port to port?—I think it is an exception. I think generally the trader does prefer the railway if he can get it.

2850. For certain classes, I quite understand. I am not speaking of the present state of congestion, where it takes a fortnight to cover a few miles; but in ordinary cases the rapidity of delivery might be a very important matter to a trader?—Yes.

2851. But in other ways, surely the large bulk that is carried in a ship has an advantage to a trader?—Only in cheapness.

2852. Yes, I follow that. But cheapness in many ways. Their ships are not only competing with railway companies, but are competing with one another, are they not?—Yes.

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2853. And that tends to cheapness or to induce the steamship owners to take a more moderate traffic than they might otherwise take?—Agreed.

2854. Of course, you have also the great advantage over the railways that you have not to provide your permanent way—which is provided by Nature—and they have to lay out an expensive line?—Agreed.

2855. Coming back to what you yourself said, do you not think that, with fair conditions established between the traders and the railway companies and (we will say) the shipowners, the tribunal could come to a fair idea of what were reasonably competitive rates?—Yes, I think so. As I understand it, it is this tribunal.

2856. Yes, we are before this tribunal. But if they do not do it they can recommend the Minister to establish a tribunal similar to this, which would have the power to do that very thing I am suggesting?—Yes.

2857. And if that were so, it would be satisfactory?—Yes; but, Mr. Balfour Browne, not rate by rate. We cannot re-establish the coasters and we cannot develop the distribution by sea if the whole of the work at sea is to be liable at any moment to be met by this cutting of the rates on the railways. We cannot hope to get there.

2858. You quite understand me, that, speaking for the traders of the country, I am most unwilling to see anything that would cripple the coasting trade?—I quite understand that.

2859. I want to have it preserved; but at the same time I want to have my choice between the coasters and the railway companies. Is not that fair?—Yes. But, Mr. Balfour Browne, you must remember this: You start with a rate which this tribunal has fixed as a fair and equitable rate to be borne by a particular class of traffic; then you have a coaster coming along who is ready to carry under that rate. Now, then, you come to the next point: Should the

railway cut the rate, which this tribunal has fixed as a fair and reasonable rate, for the purpose of undercutting the coaster? That is the real question, is it not?

2860. I do not want to use any opprobrious epithets like "cutting rates," but supposing the railway companies fix a rate for the purpose of doing an injury to the coasting trade, do you not think that, first, the traders would object to that, and second, the tribunal would put a stop to it?—With regard to traders, when the railways were carrying out the instructions of the Government and carrying far below cost, the traders overwhelmed them with traffic, and they left the coasters. I think that is the answer. If the rate is cut, the traders will go for the lowest rate.

2861. In some ways they are under very anomalous conditions at the present time. I take it that the coasting trade suffered in various ways during the War?—Yes.

2862. The sea was not so safe then as we hope it will be in peace; therefore we must not look at it altogether from the point of view of the present conditions?—But we have had 18 months since the Armistice; we have had 18 months to get back to normal conditions, and we are as far off them as ever.

2863. I know that we have had 18 months, but a very troubled 18 months. Do I understand that your view with regard to the subsidy was it was to enable the coasters to come back to a normal condition?—It was the only chance that I could see of providing them with any traffic at all.

2864. At that particular time?—Yes; and to-day.

2865. But if the subsidy did enable you to come back to pre-war conditions, and you were protected from unfair competition by the railways, that is all you want?—That is all.

Mr. Balfour Browne: I do not think that I need ask you any more.

Cross-examined by Mr. ROWLAND WHITEHEAD.

2866. Mr. Rowland Whitehead: I want to ask you a few questions about exceptional rates. Let me see if I understand your position. You want, I understand, to have what are called tariff rates. That is your first proposition, is it not?—Yes. May I put it this way? We understand—

2867. Tariff rates fixed by this tribunal?—Yes. We understand that that commends itself to the railway companies and to the traders; and so far as we are concerned it seems a very admirable suggestion.

2868. Whether we can get tariff rates for exceptional traffic I do not know, but we are going to try and do that under theegis of this Committee and meet the railway companies before we come to the second part of the Inquiry. You understand that?—Yes.

2869. Do you offer any objection at all in principle to those tariffs being discussed and, as far as possible, agreed between the railway companies and the traders?—No, I can offer no objection at all. I would like them settled by this Committee.

2870. Let us look at it. The railway companies know what they can afford to do the service for, do they not?—Yes.

2871. And the traders know what their business will bear in the matter of rates?—Yes.

2872. Does it seem to you to be quite reasonable, therefore, that a discussion between those two parties should take place with a view to arriving at an agreement?—Certainly.

2873. As regards a tariff?—But I do not think that you would necessarily except each agreement that was arrived at between each individual trader and the railway company.

2874. The duty of deciding what the rates would be will rest with this Committee?—Yes.

2875. But you do not in principle object to an endeavour to arrive at an agreement?—Not at all.

2876. Then I think you said that you desired them to be as low as possible?—Certainly, consistent with complete efficiency.

2877. The next stage in your argument was this, I think, that from those tariff rates there must be some exceptions. That is what I understood you to say?—No, I have not said that. All the traders have said that there must be some exceptions.

2878. Then you do not agree that there should be exceptions. Is that so?—I would not say that I disagree. I could not really say whether I agree or disagree. I do not know enough about it. What Sir George Beharrell said, and what so many of the traders have said, seems to me to be absolutely sound: that you should reduce the exceptions to the minimum; you should grant no exception unless there were a proved necessity for it.

2879. Would you agree that if there is a proved necessity, owing to the special circumstances that exist, then those special circumstances should be given effect to by exceptional rates?—I think so.

2880. We are quite agreed about that?—You have not asked me to express any opinion as to whose the necessity is, have you?

2881. Let us test it. I do not want to take you far beyond principles unless it is necessary. You referred a short time ago, in giving your evidence in chief, to the chemical traders on the Mersey?—Yes.

2882. I dare say you know, as a matter of fact, that the chemical trades at Widnes and St. Helens have specially low rates which have been given to them as the result of a Parliamentary bargain embodied in an Act of Parliament?—Yes, some of them.

2883. And on the basis of those low rates their great—probably the greatest—chemical industries in this country have been founded and carried on?—I should say partly on those rates; but I should say still more on the sea service that is given—the advantages they get on the Mersey.

2884. Access to the sea is not of much use—say, to St. Helens—unless you have got the low railway

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rate from Garston or Widnes to the works at St. Helens?—I agree.

2885. Which do you say? Is it right or is it wrong to adhere to such a statutory bargain?—I should always stand by a statutory bargain.

2886. Then that is one exception?—Yes.

2887. Now suppose that instead of being a bargain embodied in a Statute, it was a bargain in an agreement scheduled to a Statute. Would you concede that?—I should think so. I would rather have the particular case put to me if you really attach any importance to my opinion.

2888. Take another case not quite so strong as that. Suppose you have the case of some large industry interested in the export trade, and that a trader, before deciding where he shall place his works and sink his capital, goes into the question of railway charges—approached a railway company and ascertains what the railway charges are from the proposed site of his works—and then comes to his decision on the footing that there are exceptional rates from that point, say, to the sea. Do you think that it would be just, when such a trader has sunk his capital and entered into contracts (perhaps extending over years), that he should be deprived of the benefit of the exceptional rates?—I think those questions must be judged in the national interests. For example, supposing the arrangement was that the trader you have instanced were given very low railway rates on the raw material he was bringing into this country, and suppose that in the national interests it was decided that advantages could not be given to raw material brought into this country—then I think the arrangement with that trader would have to go.

2889. But in the national interests you would not fail to include, would you, the interests of large manufacturers engaged in the export trade?—Certainly, I should include them.

2890. They are part of the national interest?—Certainly.

2891. And when you are dealing with important basic industries, like the iron and steel industry for example, their ability to export goods in large quantities is a matter of national importance?—Absolutely, and that, I thought, would be taken into consideration in fixing the tariff applicable to their traffic.

2892. Take this case. Supposing a trader had exceptional rates from some inland works to the sea swept away in order to secure some academic uniformity. Would not that lead to a great dislocation of trade. Supposing a manufacturer sank his capital 20 or 30 miles away from the coast, would he not be obliged to transfer his works to the coast and scrap his capital?—I should like to have some more information before I could answer such a question as that.

2893. Let us take it in principle. Suppose that that were the effect of trying to achieve uniformity. Would you think it was a right thing to do?—I think if I had the responsibility of settling the tariff I would settle a tariff which was open to every manufacturer; I should hope I should bring it down very near this coastal tariff that you have in mind; but I cannot think of the justification for giving one manufacturer an advantage over the other manufacturers in the same industry.

2894. I want to put this to you, that the export trade of this country has been built up to a very large extent, has it not, upon exceptional rates which have been practically agreed between the railway companies and large traders?—Yes. But what is

the result? I think it was Mr. Acworth who put it earlier in the proceedings. As I understand it, the cost of carriage per mile on the English railways is below the cost on the French or the German railways—that was under pre-war. But every trader who has come here has protested against extravagant charges, and Mr. Acworth's answer was, Yes, it is the people who are charged high who come and protest; the people who are charged low we hear nothing of. Surely that is your answer?

2895. I am not quite sure about that. Would not the effect of adopting your suggestion be this, that industries would leave the more central parts of England, the places away from the coast, and flock towards the ports, so that there would be no railway profits or rates chargeable upon their goods?—There has been a tendency in that direction for the industries which depend on raw material from abroad, or on exports, for some considerable time.

2896. I do not think you will agree with me, but I must put this point to you. Why, in those circumstances, if you have to meet in some just manner exceptional circumstances in particular trades, should it not be right and proper for the railway companies and the traders concerned—both of whom know their own business best—to meet and endeavour to arrive at some agreed rates?—To meet the conditions of the trade, not of the individual trader.

2897. Take the trade as a whole. Do you object to that?—No; and I understand that is what this Committee has in view. In fixing the tariff it will have the trade as a whole in view.

2898. Mr. Jepson: I want to ask a question arising out of Mr. Whitehead's questions. You said to him just now that you thought, if any specially low rates were embodied in a Statute as a bargain—which may have been made 50 or 60 years ago—you thought that should be observed. Would you say that if it could be proved that those rates were very much below cost and that other manufacturers had to pay something to make up the deficiency on the services rendered under those rates. Now that we are revising everything do you not think that those rates ought also to be revised?—I think if the bargain were made and confirmed by Parliament you would have to go back to Parliament, and I take it that you would give compensation for breaking the bargain.

2899. But at any rate your view is that manufacturers, now that we are revising the whole thing, should be put on a proper and fair basis now, whatever may be the legal liabilities of the company with whom the statutory bargain was made?—Yes, I think that would be sound.

2900. Mr. Acworth: I want to put a further question on that. The railways have got what we may call a statutory bargain that they may not charge more than so much per mile on all the different classes?—Yes.

2901. That is a bargain which the public got with the railways?—Yes.

2902. Do you think that the public are justified in insisting upon it to-day?—No, I do not think they are.

2903. Then there are some parliamentary bargains which an entire change of circumstances ought to tear up?—I think a bargain with an individual stands in rather a different position from the rights given to the public by an Act of Parliament; another Act of Parliament can take away those rights; but I do not think it has been customary to take away the rights of an individual.

Mr. Acworth: I see. I only wanted to know what your attitude was.

Cross-examined by Mr. F. G. THOMAS.

2904. Mr. F. G. Thomas: The position as regards the port to port traffic is that you have a certain volume of traffic which is physically available for transport by either method?—Yes.

2905. Before the War that traffic was divided between the railways and the coastwise ships?—Yes.

2906. And the coastwise traffic was a very important one?—Yes.

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2907. I think you have given figures which show that in the period of time which you took the coastwise traffic had doubled in tonnage?—Yes.

2908. And that was in spite of the fact that they were in competition with the railways for their traffic?—Yes. The overseas traffic had increased fourfold, and the coasting traffic had doubled.

2909. You would expect that under any conditions the overseas traffic would increase more than the coastwise?—It is only overseas traffic into this country. I should have expected that the coasting distribution would have kept pace with the increase in the overseas traffic, especially having regard to the concentration in the big ports.

2910. Anyhow, during this period it had this very large increase of doubling the coastwise traffic?—Yes.

2911. And that was in spite of this system, which is not a new system, but in which special concessions are made in respect of traffic by railway from port to port?—Yes.

2912. It is not a new system?—No.

2913. What I understand you to say is that you are in favour of honest competition?—Yes.

2914. And the position is, is it not, that under the pre-war conditions you did have competition?—We had competition, yes.

2915. What element of dishonesty was there about it?—I think the railway companies—I do not quite know what word I should use—I do not think they used their powers fairly, and I think they captured the traffic for themselves by keeping up the charges on traffic generally. I do not think they fought with their own money; they fought with the money they were levying out of the traffic generally.

2916. You say that, in spite of the fact that during that period the coastwise traffic was doubled?—Yes. The progress made by the coasting traffic was deplorably slow.

2917. At any rate, they were getting a traffic at that time which was at least double what they are getting to-day?—Yes.

2918. You would deprecate, I take it, violent fluctuations in the way in which traffic passes. That is injurious to the trader and to everyone?—Yes; and blocks the ports.

2919. If you are going to have a system under which you are suddenly going to have the traffic diverted from one method of transport to another, that is going to be injurious?—Yes.

2920. That is a state of things you have had during the War?—That is right.

2921. Now, the railway companies have been able to compete for this traffic by the fact that they have been able to have a fluctuating rate?—Well, there are gentlemen here who know more about it, but I do not think there have been any current fluctuations in the railway rates. I think the rate has been cut, and it has been left there. I do not think it has been changed from day to day.

2922. Whether that is so or not, the fact remains that the rate was put at a figure which gave to the trader the option of two routes?—Which attracted him to the one route.

Cross-examined by Sir JOHN SIMON.

2939. Sir John Simon: You have been put through many tests by my learned friends, but I want to put one or two perfectly general questions only. Sir Robert Aske stated yesterday on behalf of the interests he represents that they were here to ask for no favours at all. Do you accept that proposition?—Yes.

2940. He stated also, I think, that the right course would be not to allow railways to cut rates in competition with sea-borne goods?—That is so.

2941. Is that also your proposition?—That is my proposition.

2942. Those are the two pillars which support the erection?—If you please. Between the two you will

2923. Clearly it was not sufficiently large to enable him, or to induce him, to send all his traffic by railway, because you have this very large volume of traffic which is going by ship?—Yes; a very many traders gave a little bit of work to the coaster in order to keep him alive, so that the railways would not withdraw the exceptions.

2924. 20,000,000 tons is not a small matter?—But about 60 per cent. of it is coal.

2925. But you would agree, would you not, that there comes a point where the difference between the rail charge and the sea charge is prohibitive to the one or the other?—Certainly.

2926. You have a certain margin, which I will put at, say, 10 per cent. or 15 per cent. or 20 per cent.?—Yes.

2927. The direction of this traffic is governed by the cost of transport?—Yes.

2928. And when that difference goes beyond a certain percentage, then one or other of these methods of transport becomes prohibitive?—Yes.

2929. Now you are asking that you shall stereotype the rail cost?—I am suggesting that the Committee should.

2930. Yes. You are going to have as for your other method of transport a cost which fluctuates according to the will of the shipowner wholly unfettered?—Yes; what he can get.

2931. It is, therefore, always in the power of the shipowner to have a monopoly of the transport of the whole of that traffic?—Up to the point that the Committee has fixed as the fair charge for the rail.

2932. You agree that it is the question of price which determines how the traffic goes?—Yes.

2933. Therefore it is always open to be—under that statutory system you are advocating it would be—in the power of the shipowner at any moment to obtain a monopoly for the transport of that traffic?—Provided he is ready to carry at less than what this Committee thinks is the fair charge to be put on that traffic.

2934. And six months later, when the competition of other places might render it desirable for him to move his ships somewhere else, the whole of that traffic would be shifted back on the railways?—It might be.

2935. Do you think it is a workable scheme that the railway companies should lay down sidings to take particular traffic and then be liable to such fluctuations?—I think that is the system under which we have worked so far, and there have always been coasting facilities available within limits.

2936. Coasting facilities in honest competition with the railways?—Yes.

2937. Whatever may be said as to the honesty of the arrangement—which I do not criticise—there is not much competition about what you are suggesting?—Surely there is. The coaster has to compete with a rate at which you have arrived on the railways by spreading the charges equitably; that is, the coaster has to compete with what represents the fair charge on the railways.

2938. And the railways are never allowed to diminish their charge whatever the change of circumstances may be?—Certainly; if the railway shows that its cost is diminished then its standard rates come down.

Mr. F. G. Thomas: Well, we have the position which you advocate.

find this fact, will you not, that the Committee have determined what is the right rate for the railway to charge?

2943. But I mean as things are of course exceptional rates which the railway companies adopt, having regard to competitive sea facilities, may be lower than the ordinary charge, and yet may be profitable to the railway companies?—Yes. We have been discussing that all the morning, Sir John.

2944. I am not going to begin again, but I will ask you one question. Is it your view that although the rate is profitable to the railway company, and although the rate is cheaper to the trader, none the less Parliament ought not to allow it to be quoted if

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it cuts the sea-borne competition?—If the result will be to kill sea-borne competition, coasting distribution, development of the coasting trade, the use of the smaller ports, I do not think that in the national interests it should be allowed.

2945. Are you of the view that in the same way Parliament ought to legislate to prohibit railway rates from being too low in view of road competition?—My difficulty is this. If you have got up to the point in which the cost of maintaining the railways in a full state of efficiency, providing an adequate return on their capital, if that has been carefully spread over all the traffic that has to be carried, I do not think you should depart from that for the purposes of meeting competition. If you do you are giving preferences.

2946. I would carry your mind back to the days when canals were the ordinary method of inland transport. Would it be consistent with your view that, of course, there ought not to be railway rates which would prejudice the full use of the canals?—

If the railway rates were fixed at the point this Committee has indicated, and the natural result of that rate—the consequence of the rate—was to cut the canal, the canal would have to vanish. In exactly the same way the coaster will have to vanish.

2947. I gather that what you object to, like so many other people, is not competition but unfair competition?—I know the catch. I know that everyone thinks the competition with himself is unfair.

2948. I rather thought, approaching another subject, you might have that criticism to make. There is a tendency in the world, is there not, for every commercial enterprise to think that competition becomes unfair when it either puts them out of business or requires them to put down their rates?—Certainly; and you have to guard against that.

2949. That is the sense I take it, if I may venture to attribute it to you—in which you denounce unfair competition. Is that right?—I do not think that it is quite fair to put it to me in that kind of way.

It is very uneasy that, is it not?—I have put it as I think one is entitled to put it.

2951. I will not delay because you have put it very clearly, and others have put questions to you. I will just put this one further matter. Is it your view that railway companies ought to be prevented by law from charging too little, even though the charge is profitable to themselves and even though they charge the same to all alike?—To everyone?

2952. Too little, yes?—They charge too little everywhere.

2953. Too little to all in the same circumstances?—Yes, I should say they should be prohibited if the natural consequence of that, the object of the reduction, is to kill distribution by sea.

2954. One really reaches this point. We started this Committee with the suggestion that we might get abolished Statutory maxima, and we shall end by establishing Statutory minima?—I should have thought that what you would establish would be the right charge to make.

2955. *Mr. Acworth*: May I recall to your mind a history which no doubt is familiar to you? You remember when the improvement of the navigation of the Seine made it possible to take up steamers of a thousand tons to Paris?—Yes.

2956. Are you aware that on that occasion the result was that the Western Railway of France lost the bulk of their traffic in things like imported flour and sugar and wine, up to Paris?—From Havre?

2957. Yes; and also from Rouen?—Yes.

2958. They applied to the French Government to be allowed to put in rates to retain their traffic in competition with the new water traffic. The French Government said, "Yes, if you will give them the same all over your system." The railway replied that they could not afford to do that. Therefore the water took the whole of the traffic that the railway had previously taken, or at any rate, a very large part of the traffic. Do you think that the French Government were right?—I think so.

2959. I will give you another instance. In France, as you know, no doubt, there is a sort of general rule that to keep the canals alive the railways must not put in a rate which is not something like 20 per cent. higher than the canals?—I think that is wrong.

2960. Why?—I think the railway rate should be based on a reasonable return to the railways to cover the costs of operation, and renewals, and a reasonable return on the capital.

2961. Then you do not think the canals ought to have any protection, so to speak?—I do not think so, beyond the point that the railway has to spread its charges equally, or rateably, or as it is fixed in the national interests over all the traffic it carries.

2962. Put it in this way. If the railway's normal rate can be as low as the canals', and of course that would take the traffic if it were as low, you think the canal must be killed?—I think so. If it is to be kept alive it should not be kept alive by jockeying with railway rates but directly in the national interests.

2963. By a grant from the Exchequer and not by means of the railways at all?—I think so.

2964. You have spoken about its being necessary to have lower rates by water than by rail. Could you give a sort of average percentage?—Is it something like 20 per cent. on the average?—Yes, a good 20 per cent.—20 per cent. or 25 per cent.

2965. To make competition reasonably balanced?—Under pre-war conditions.

Mr. Balfour Browne: Am I right in supposing that many of these railways which have to keep rates 20 per cent. below the canals are owned by the State?

Mr. Acworth: They are not owned by the State; but that is the principle.

Mr. Balfour Browne: It makes a great difference if they are owned by the State.

Mr. Acworth: I was not suggesting whether it was right or wrong. I only wanted to know how far Sir Norman Hill agreed with me.

2966. *Chairman*: Will you be good enough to let us have the figure, as far as it is available, to show what effect the increase of rates on January 15th has had on waterborne traffic?

Witness: Yes. I shall have those in the course of the afternoon. The other figure you asked me for was what the coasters were paying for coal. It works out now at about 70s. per ton. I cannot give you the price the railways are paying for coal because that is not published; but no doubt you know it. There is just one other point I should like to refer to which was raised yesterday, as to whether exceptional rates should be given for the purpose of providing for the distribution of traffic between ports. I would like to point out that if anything effective is to be done in that direction it must be in regard to the imports. The imports that are brought in, in volume, are about fourfold the exports, if you exclude coal. Coal is only shipped from a limited number of ports. There is 80 to 90 per cent. going from the ports, and the ports which handle the general imports and the general exports, so long as they can take care of the imports, the ports and the ships are amply sufficient to take care of the exports. So if there is to be any attempt to regulate traffic as between port and port it will have to be by dealing with import cargoes, not with export cargoes.

2967. *Chairman*: As a question of principle, do you think it is right, partly by grouping and partly by exceptional rates, to assist ports to keep themselves alive and to have a share in the traffic?—I should have thought it was a very risky experiment for the railways to try. There is the natural growth of the trade of a port, and the port authorities may be quite prepared and quite able to provide for the natural growth. If the railway companies are trying to pay special providence to check that natural growth it may paralyse the port authority.

2968. Everybody would say you ought not to check the growth of trade anywhere, but it is rather the other case. The traders from Hull pointed out that they are rather unfavourably situated, and if they

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had to pay the full normal rate for everything that was carried from Hull, the imports through Hull would fall off considerably and go to more favourably situated ports. Do you think that the railway companies are justified in charging a lower rate from Hull by reason of having grouping or exceptional rates to give Hull its chance; I will not say fair chance, that is begging the question?—Hull is a particularly difficult port to deal with because there the docks are railway owned and if you put the railways in the position of special providence as to whether they were to give a little more traffic to Hull, they would be in a very difficult position to divorce themselves.

2969. Leave the special circumstances out and imagine two ports in which that does not arise?—I think I would not let railways butt in, I think it is too dangerous. You must remember, so far as the ports are concerned and the ships serving the ports, they are directly subject to the laws of supply and demand to a degree of which the railways have no conception. The adjustment which the pressure of economic conditions applies, I think, will bring about a far healthier distribution of trade than trying to regulate that by means of railway rates. I think so.

Chairman: I am very much obliged, that is all I want to ask you.

2970. *Sir Robert Aske*: Was not there something you desired to add with regard to the probabilities of the revival of the conditions of last year?—Yes, there was one point I wanted to make, it was made yesterday. You will remember in considering the present position it has been said that there is now no congestion in the ports. The end of May and June are the time in the year when generally the port is freest. Our warehouses should now be pretty well swept waiting for the new crop of the harvest coming in. Another point, May, June and July, and I suppose August, we find are the very best months for getting away traffic on the railways. There are no fogs, no rain on the quays, and it moves more freely perhaps until we get to August, when sometimes there are strikes in the hot weather, but just now the ports ought to be getting down to their freest.

GEORGE A. MITCHELL, called.

Examined by Mr. F. G. THOMAS.

2974. You are convener of Railways and Transport Committee of the Glasgow Chamber of Commerce?—Yes.

2975. You are director of Stewarts & Lloyds, Limited, and director of various colliery companies?—Yes.

2976. You attend to give evidence on behalf of the Associated Chambers of Commerce, and particularly the Glasgow Chamber of Commerce?—That is right.

2977. I think in some particulars, looking through your précis of evidence, your views are perhaps special to Glasgow, are they not? In those instances you would be expressing the views particularly of the Glasgow Chamber of Commerce?—Yes.

2978. I will ask you to state your views to the Committee?—I am generally in agreement with the replies of the Association of Chambers of Commerce of 24th March, 1920, to the question of the Minister of Transport in his letter of 6th February, 1920. It is the opinion of the Glasgow Chamber of Commerce that maximum rates should be fixed. If there is no maximum, and if the railway companies can justify any increase by proving increased cost, there is not the same incentive to the exercise of economies in working traffic as if there are maxima which cannot be increased without the consent of Parliament. It must be recognised, however, that there are difficulties in fixing maximum rates at present. It is possible that, to obtain the necessary revenue for the railway companies, further increases of rates may be necessary, and if maximum rates are fixed now these would of necessity be higher than existing rates. If there is, as must be expected, a substantial fall in

The ports are not congested to-day, but the warehouses are pretty well full everywhere.

2971. *Chairman*: That is abnormal?—Absolutely abnormal and we are going to get into a very tight place indeed directly traffic begins to flow, September, October and November. We are going to get into just as difficult a position as we have ever been in, that is, unless trade vanishes. There is the other point to bear in mind. We are not bringing in now, this last month, within 20 per cent. of what we did in peace time. We are still lamentably short in our imports. This freedom has been got on this very much reduced volume of traffic. I do not think you can build on anything from the present condition in the ports. I think the chances are as summer goes and autumn comes we shall have a very tight time indeed. It is when we come to the tight time that the coasting facilities are of all importance to the big ports, of all importance to the overseas ships.

2972. *Mr. Jepson*: Is the cause of the blockage of the warehouses in the various ports due to the large amount of stuff that the Government have bought and still hold there?—Yes, there is still quite a substantial amount, and of course there are so many financial difficulties, prices difficulties, future trade difficulties. People are not taking freely of the stock.

2973. You cannot get it, can you?—No, sometimes they cannot get it, but it is a very difficult position to-day.

Chairman: Thank you very much.

Mr. F. G. Thomas: May I ask your indulgence with regard to the witness representing the Glasgow Chamber of Commerce who I mentioned yesterday. He is in attendance to-day and I am afraid he will not be able to be present again, certainly not to-morrow.

Chairman: We are in Sir Robert Aske's hands. Are you willing to give way?

Sir Robert Aske: The point is whether we can fit in both witnesses. Can we manage them this afternoon?

Chairman: Yes, give half an hour to each and no more.

Sir Robert Aske: I agree.

working costs in a few years, these maximum rates would be much above the rates which would, or should, be then in operation, and would therefore be of little value. It would, therefore, appear to be necessary that the fixing of maximum rates should be postponed for a period, say, four or five years, until economic conditions appear to be more settled. A definite order might be made that such rates are to be fixed at a certain date. As regards the fixing of permanent rates, as distinguished from the present temporary rates, it is clear that this cannot be indefinitely postponed, but it is the opinion of the Glasgow Chamber of Commerce that there are great difficulties in dealing with the question of these permanent rates at the present time. The Government has not yet indicated the future policy as regards railways, and the question of what this policy is to be has an important bearing on the principles which are to rule in the fixing of permanent rates. It is, for example, desirable that rates should be as uniform as possible, and that for the same class of traffic they should be either on a mileage or group basis. If the railways are to be unified in districts this may be approximately possible, but quite impossible if such unification does not take place.

Take, for example, a manufactory or colliery with two railway connections, and sending traffic by both to the same destination, say that the distance in the one case is ten miles and in the other twelve miles. It is obvious that the same mileage rate cannot be charged if both companies are to charge the same total rate, and if the same rate is not charged, one of the companies will get no traffic. No satisfactory

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conclusion can be arrived at regarding the fixing of rates until the policy for the future is indicated. The Glasgow Chamber of Commerce therefore respectfully suggests that the present temporary rates should be continued meantime until the Government has come to a decision regarding the future of the railways. Traders are not all satisfied with these rates, but they are built up on the old rates which have stood the test of many years, and they can, only in exceptional cases, inflict any serious hardship on trade. Special cases might be considered without any general alteration.

There is a further reason for not dealing with permanent rates at present, and that is that owing to the recent introduction of the eight hours' day, conditions are unsettled, and it cannot yet be known what the cost of conveyance is to be under the new system. Further, full traffic is not being carried at present. The coal output is short, and the pig-iron output is also short. These industries represent a very large percentage of the heavy traffic which the railway companies carry, and additional traffic in coal and pig-iron would materially improve the position of the railway companies. It would be better to have a continuance of temporary rates, even if these are to some extent unsatisfactory, than to have permanent rates fixed at a time when mistakes might be made. When permanent rates come to be fixed, the principles laid down by the Confirmation Acts, 1891 and 1892, should be the foundation on which to build revised rates. Certain alterations may be necessary as the result of experience, but, subject to such modifications, any radical change is undesirable. Industries have been established on the basis of the rates ruling for many years, and any great change in the incidence of charge, such for example as the raising of short distance rates to a much greater extent than rates for longer distances, or any great change in classification, might have the effect of seriously affecting certain industries. There will still be a necessity for special rates, and these are in the interest, not only of the traders, but also of the railway companies for the encouragement of traffic. Some of these might be dealt with by special classification, but there must always be exceptional rates to be specially arranged.

It is desirable that there should be considerable reduction in rates for regular traffic in trainloads, for example, in the conveyance of iron ore or coke to blast furnaces. Cheap rates for assembling of materials for the iron and steel trade in Germany played a great part in the building up of the iron and steel trade there, and it is important that every facility should be given to such arrangements in this country. It is to be recognised that the large trader must not get any undue advantage over the small trader, but if encouragement is given to large consignments, keeping the interest of the small trader generally in view, it is certain that the cost of transit would be considerably reduced in articles which are carried in large quantities. The cumulative principle of mileage should be adopted, although the traffic passes over more than one railway company.

As regards station and service terminals, the charges should be fixed by the tribunal on the same lines as in the past, and should in all cases be set out separately from the conveyance rates on the rate books. There should be no charge for private sidings except for extra services rendered, and where a charge is made it should be specified and be subject to review by the tribunal. There is some little difference of opinion in the Glasgow Chamber of Commerce as to the advisability of having an express service for goods traffic at a higher rate than the ordinary, but the prevailing opinion is that there would be some advantage. There may be difficulties in the way, but it would appear that where there is no special urgency, goods might be collected to make up full truckloads for certain destinations, and a saving in cost of conveyance effected thereby. A saving in cost of conveyance must ultimately be to the advantage

of the trader. The Owners' Risk Note requires revision. This has already been very fully gone into before the Committee, and certain recommendations have been made. Omnibus or Zone Rates should be continued, care being taken that the interests of individual traders are not prejudiced.

A new tribunal such as suggested by the Associated Chambers, if easy of access and more or less informal in its proceedings, would serve a useful function in giving an easy method of discussion with the view of arriving at a decision when there is a difference of opinion between railway companies and traders. Traders should have the right to state their case before this tribunal without Counsel if they desire to do so. It is probable that the great majority of cases coming before it would be settled if the tribunal proved by experience to work satisfactorily, but there should be the right of appeal to the Railway and Canal Commission, or a Commission constituted on similar lines, if desired by either party, and the Glasgow Chamber is of opinion that this appeal should not be confined to questions of law. It should be possible to bring cases of importance before a tribunal of a judicial character.

The decision of the Railway and Canal Commission in questions of principle would of necessity be taken, as far as possible, as a guide by the subordinate tribunal, just as in the case of decisions in the Law Courts. It should be kept in view that there should, in the interests of traders, be stability of rates and not too frequent alterations, and that decisions should be, as far as possible, uniform over the country. The Local Advisory Committees proposed should endeavour to settle minor questions by agreement, but should have no right of decision. The onus of proof should rest on the railway companies to show that an increase is reasonable when they apply for an increase, and also to show that a reduction is unreasonable when a reduction is asked. The onus should not be on the traders as they have not access to the figures which are open to the railway companies. It has been suggested that where a railway company desires to raise a rate which has been voluntarily reduced the onus should be on the trader to prove that the increase is unreasonable. There appears to be considerable justice in such a position. I am of opinion that if the railway companies had lead with their evidence, the value of the evidence of traders would have been increased and the time occupied in the consideration of the various questions considerably reduced. The railway companies have a much greater knowledge of the details of this subject in its wide aspects than the trader possibly can have, and it is the function of the trader more to criticise from his special experience than to advance any constructive policy. The Committee should permit evidence from the traders again at a later stage after the evidence of the railway companies has been submitted. There are differences between Scotland and England in railway practice, and there should be no attempt to standardise the systems in the two countries, without giving the traders in Scotland an opportunity of being heard on any proposals submitted.

Chairman: I am much obliged. That is very concise and very clear.

2979. *Mr. Jepson:* When you spoke of the permanent rates being fixed on the Confirmation Acts, 1891 and 1892, you are aware that those Acts did not fix the actual rates, but only maxima?—Yes.

2980. Your suggestion is that the scales for the new rates should be on the maxima of those Acts plus certain percentages?—No, I suggest that the rates when they come to be fixed should be effective rates, but that there should be the maxima above these rates.

2981. On page 2 you say, "When permanent rates come to be fixed, the principles laid down by the Confirmation Acts, 1891 and 1892, should be the foundation on which to build revised rates." Those

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[Continued.]

were maximum rates under those Orders, not actual rates?—That is perhaps not correct to put.

2982. *Mr. Acworth*: Do I gather that you would desire that in every case a tribunal, such as we have been discussing, should thrash out the facts, give a decision, then that it should be open to either party to go to the Railway Commission and thrash out all the facts afresh?—I should have thought in certain very important questions the traders and the railway companies should have the right to go to the Railway and Canal Commission in the first place.

2983. Go straight there?—Yes, I am quite aware it is very difficult to define cases where they should go and where they should not go. I also think in practice that all cases practically would be brought before the tribunal. Also, I think in practice nearly all cases would be settled there. It would be only in very important questions that either the railway companies or the traders would care to go to the Railway Commission.

2984. Would you give either party the option?—I would. I think it is very difficult to make a distinction between what is fact and what is law.

2985. Which do you think would be the more expert tribunal in getting at the facts, a tribunal that was sitting most days a week or a Law Court that assembled once in three months?—It is very difficult to say, until the tribunal was established, and you saw how it was going to work, you almost could not answer that question.

2986. Assuming it was sitting almost constantly, do not you think it would be a better machine for getting at the facts?—I think it probably would be.

2987. *Sir Lynden Maccaessey*: I gather that you appreciate the difficulty of fixing permanent rates at the present moment?—I do.

2988. Now, of course, the subsidy is paid—I will not say subsidy, but there is a payment made by the Government to individual railway companies to bring them up, of course, to the basis of the pre-war year?—Yes.

2989. Supposing the railway companies were each operating on their own individual basis, of course it might be, as I gather you point out, two railway companies charging the same rates might achieve very different financial results?—Yes.

2990. If you had one company charging, dealing mainly with the low grade traffic, and the other company dealing with the higher grade traffic, if the two companies charged a uniform scale of rate on those classes of traffic, the natural results would be very different in the two cases?—They might be.

2991. I understand that is the sort of thing you had in mind?—Yes; I have in mind this, that till you know what is going to be done—take the Scotch railways, for example. If the Scotch railways are all to be treated as one, it is much more easy to get a uniform system of charges than if they are to be treated as separate railways, and I presume the same applies in England.

2992. There might be difficulty in treating the North Scotland or Highland Railway on the same basis as the Caledonian?—Or the North British on the same basis as the Caledonian.

2993. Take a railway carrying almost wholly agricultural traffic. That is relieved from the recent increase of rates; you know that?—Yes.

2994. You might have another railway which is carrying almost entirely coal and iron and ore traffic and traffic of that kind. I rather gather you suggest to apply the same basis to those different circumstances would lead to rather unexpected results?—That is so; that is not quite what I had in my mind, all the same. The difficulty would be to have uniform mileages over the different railway companies. I give an illustration; for example, you have a colliery or manufactory sending coal by two companies to one destination, the distances being different. You cannot have the same mileage applying to both. If it was one railway company, then the shortest distance would be taken.

2995. Following out your line of reasoning, the cases I was putting were the sort of cases you had in mind?—That would apply to these cases, too,

2996. *Chairman*: You say there are differences between Scotland and England. There has been no attempt to standardise the systems in the two countries without giving traders in Scotland an opportunity of being heard. We may have to make some general recommendations. This was the occasion when we wanted to hear people?—To some little extent the scale suggested in an early part of the proceedings by yourself was based on the basis of the English rates. If you frame it on the basis of the Scottish rates, it would be a radical change which would require to be carefully considered.

2997. In Scotland you have 10, 10 miles, 15 miles?—More than that, you are basing it on rates for coal; they are higher per mile, to begin with, than in England. If you begin with high mileage, you get a very high rate when you get classification. You would require to say if the rate for coal was to be reduced to begin with before one could see whether such a classification was workable in practice.

2998. Suppose we find figures which would be fair to Scotland, would there be any objection when putting Scotland on the general principle to the 20, 30 or 50 instead of 10, 10 or 15?—It is very difficult to tell without examining it in detail. In Scotland the distances are shorter than they are in England on the average. The coal traffic is carried over a shorter average distance, therefore it is probably fair to have 10 and 10 rather than 20 and 20.

Chairman: We shall have to give our general recommendation, and I should think we shall probably want to say whether Scotland and England should work together upon a single basis.

2999. *Mr. Jepson*: So far as your maximum class rates are concerned, they are the same in Scotland as in England, are not they?—I believe so.

3000. In Classes 1 to 5 the maximum are the same as in England?—They must be something nearly the same. I cannot speak from experience. My experience is only in heavy traffic.

3001. *Chairman*: Could the Glasgow Chamber of Commerce consider the proposal which has been put forward and let us know whether any, and if so, what modifications would be suitable to Scotland?—Yes.

3002. The suggestion was made to us that the proper test to take would be to take goods in Class C as the testing ones, and see what percentage above, if you take particular merchandise, and below for Classes A and B, making the criterion C?—That is so, instead of beginning with the coal rate begin with Class C rate.

3003. Yes, it may be it would be all right for C and merchandise, but you need a different figure for Class A and coal?—We do not object to a reduction in the coal rates.

3004. *Mr. Jepson*: May I ask one general question. Would you be in favour of the railway companies competing, say, for traffic between Liverpool and Glasgow in competition with the coastal services?—Certainly.

3005. You would not like to see all that competition withdrawn and the whole traffic left to the sea?—Certainly not. That applies specially to steel. It applies to pig iron from England. A large quantity of pig iron is taken from England to Scotland, and there has been always competition more or less with that before the war, but sea traffic had the benefit, now the railways have the advantage. No doubt in the future it will come back again to competition.

3006. *Chairman*: I suppose the answer to the question would be there ought to be so much competition as gets favourable rates, but not so much as kills coastal traffic—so much cutting of rates, really it is, as will secure useful competition and not so much as will destroy coastal traffic?—Coastal traffic, if it does not pay in one direction, will come on to another.

3007. *Mr. Acworth*: Did you hear Mr. Whitehead's cross-examination of Sir Norman Hill. It was a question of reserving special statutory advantages that were given by the Rates and Charges Acts for particular railways. Has that question ever been raised in your Chamber?—Do you mean very special terms for special industries?

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MR. GEORGE A. MITCHELL.

[Continued.]

3008. No, on special railways?—Special terms were discussed at great length in 1891 between Glasgow and Grantham and Leith. There is a special low scale. Has that point ever been before you?—No,

there are some special low scales in Scotland, but I can get it considered if it is desired.

Chairman: Thank you very much.

Sir JOSEPH BROODBANK, called.

Examined by Sir ROBERT ASKE.

3009. Did you serve as one of the representatives of the Board of Trade on the Port of London Authority from its formation in 1909 until the 31st March, 1920?—I did.

3010. Did you also act during that time as the Chairman of the Dock and Warehouse Committee of the Authority, and prior to 1909, did you act as the Secretary of the London and India Dock Company?—Yes.

3011. During the war did you serve on a number of committees appointed by the Government to deal with questions affecting the flow of traffic through ports of the United Kingdom, and in particular, on the Committee appointed by the Board of Trade at the beginning of 1915 to deal with congestion in the ports, also on the Port and Transit Executive Committee and the Traffic Diversion Committee?—Yes.

3012. Are you authorised to give evidence on behalf of the port authorities of the United Kingdom other than the railway companies upon general questions relating to the coasting trade?—Yes.

3013. You can speak from your own knowledge as to the importance of the coasting trade to the Port of London?—Yes.

3014. Will you kindly do so?—The Port of London includes, not only the docks under the jurisdiction of the Port of London Authority, but also the public wharves along the river. There are about 150 of these wharves, and they spread over a frontage of something like 30 miles. London is chiefly a barge port, and the existing dock and warehouse accommodation has been constructed primarily for the handling of water-borne traffic. Railway facilities are not available at the Surrey Commercial Docks and at the London and St. Katherine Docks. Both of these dock systems are very important parts of the London Docks system. At the London and St. Katherine Docks the cost of providing railway facilities would be prohibitive. London has by far the largest coasting trade of any port in the United Kingdom. Under pre-war conditions the coasting trade represented more than one-third of the total trade of the port. The principal commodities handled by the coasting trade in London are: Strawboards, lead, groceries and provisions, castings, paper, cottons, ironwork unmanufactured, wood pulp, tin-plates, jute manufactures, wool, paint, china clay, oils and coal. The coasting trade of London falls under two heads: (1) Transhipment; (2) Local. As to transhipment, the traffic brought in by the coasting vessels for transhipment to ocean-going steamers is either delivered over-side into craft for conveyance direct to the steamer, or is discharged from the coasting vessel at a dock or wharf and conveyed therefrom by barge to the ocean-going steamer. The traffic brought in by the ocean-going steamer for transhipment to the coasting vessel is in the same way transferred by barge either direct or via the docks or wharves. Large shipments, both inward and outward, are occasionally dealt with direct over-side between ocean-going and Coasting vessel. In none of these cases does the traffic come on to the railways in London. As to local traffic: A large tonnage of general home traffic is dealt with between London and the coasting ports of the United Kingdom. In London this traffic is usually dealt with at the wharves. I should say mostly at the wharves. The coasting steamer discharges and loads either direct at the quays or wharves, as into or from barges which are working with the quays. The wharves are the terminals and the rates charges usually cover sea freight, terminal charges for passing the traffic over the wharves, and generally cartage to or collection from the merchants' warehouses. In addition to general home traffic, a

large tonnage of coal for both domestic and bunkering use is handled in London. Oversight collection and delivering by barge plays a most important part in dealing with both transhipment and local traffic. In London, barge traffic is free of dues whilst rail traffic pays charges. Hence the Port of London Authority has no direct inducement to promote barge traffic. It is judged solely on its own merits. Under pre-war conditions there were regular coasting services, in some instances twice and thrice weekly, with 31 ports, namely:—Liverpool, Aberdeen, Belfast, Berwick, Bo'ness, Bristol, Cardiff, Coleraine, Cork, Dublin, Dundee, Edinburgh, Glasgow, Goole, Grangemouth, Hull, Kirkcaldy, Leith, Llanelly, Lowestoft, Manchester, Middlesbrough, Newcastle, Newport, Norwich, Port Talbot, Stockton, Sunderland, Swansea, West Hartlepool, Yarmouth.

The number of voyages made with cargoes, and the entered net tonnage of the vessels on those voyages in the coasting trade of London, in each of the two years preceding the War, and in each of the two years preceding the 31st March, 1920, are shown in the Statement I hand in. (For Table see Appendix.)

A comparison of the figures in the last pre-war year with those for each of the years ended 31st March, 1919, and 31st March, 1920, gives the following results and I have for the purpose of this comparison taken the figures for the pre-war year as 100, and the figures for the two post-war years as percentages on the 100.

	Voyages made with Cargoes.		Tons net entered with Cargoes.	
	Inwards.	Outwards.	Inwards.	Outwards.
12 months ended March, 1914	100	100	100	100
Ditto March, 1919	37	43	39	33
Ditto March, 1920	49	55	63	48

The tonnage entrances in the overseas trade of London during the 12 months ended March, 1920, showed a decrease on the figures for 1914 of 26 per cent. on the inward, and 30 per cent. on the outward voyages—that is, compared with the 100 of 1914, the figures for overseas trade were 74 inward and 70 outward. The decrease in the coasting traffic was therefore much greater than the decrease in the overseas traffic. The disastrous consequences of decreasing the coasting services have been demonstrated. In the recent period of congestion, London could not get sufficient railway trucks into the docks, and it could not pass the traffic over the crowded railway approaches to the docks. The partial re-establishment of the coasting services under the subsidy arrangement afforded immediate relief.

The opening of the new Albert Dock and other extensions, including those at Tilbury, will throw an additional burden of traffic on to the already overcrowded rail facilities of the port. London's need for ample facilities for sea carriage coastwise will increase and not diminish. So far I have dealt in detail with the position in London, but the circumstances are very similar in other ports. So far as London's coastwise traffic is concerned, there is always another port at the end of the coasting voyage. If London's needs are to be served, the cargo must pass freely into or out of the other port. To work the ports and the ocean-going vessels to the

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[Continued.]

best advantage, the utmost use must be made of sea carriage between all our ports. The coasting services of the United Kingdom in great measure do take the place of the systems of inland water carriage from which Central Europe and France derive so much benefit. The coasting services are of great value to the nation. The coasting services link up naturally with overseas loading and discharging in the ports. The ocean-going ship can load and discharge in far less time by working overseas and on to the quay at the same time. By using overseas loading and delivering to the utmost, congestion on the quays and in the sheds is avoided. It is only by using overseas loading and delivery that the cargo can be got out of the barges and the wharves. Without overseas loading and delivery, and the power to collect and distribute cargoes by sea, the ports become congested and the railways serving the ports are over-burdened. Without the coasting services the ports could never have handled the volume of traffic they dealt with before the war. In the national interests, and apart from the interests of particular ports, the coasting services must be re-established. They can be only re-established and prosper on a sound economic basis. They must meet competition, whether it is from the railways, the roads or the canals, but that competition should not be subsidised competition. The coasters must be able to compete with railway rates, which are fixed and worked on a sound economic basis. But the coasters cannot compete with railway rates which are manipulated for the purpose of diverting traffic from a sea route to a land route. The coasting services cannot be maintained and developed on the leavings of the railways—so long as the railway companies are left free to undercut, at their discretion, sea freights by exceptional rates. In the same way, the ports cannot be maintained and developed to the best advantage so long as the railway companies are left free to manipulate rates in favour of one port against other ports. The railway companies are themselves the owners of important dock undertakings and of steamship lines using particular ports. They have their own interests to serve. They are not qualified to judge in the national interests between port and port. They are not qualified to judge, it seems to me, from the national point of view, as to what traffic should be encouraged, that is, particular classes of exports or imports. It must be borne in mind that the railway companies, in undercutting coasting freights, in discriminating in the rates charged between port and port, and in seeking to encourage particular classes of traffic, draw on their general revenue, which is all derived from the whole of the traffic they carry. Their powers and their resources are immense. They should only be used for the purpose of carrying on their own business to the best advantage. They should not be used to destroy other people's businesses. The limits within which they should be used should therefore be clearly defined. The broad principles to be adopted in the fixing of railway rates should be, it seems to me, first, a fair and just charge for haulage; second, a separate charge for all services other than haulage. These other services should include dock services and sea freights when the dock or the ship belongs to the railway company. The charge for all these other services should be such as to make them self-supporting. All exceptional rates should be based on railway traffic considerations, and on no other considerations. They should be justified by:—(1) Quantity carried, (2) service rendered, (3) description of goods, (4) value of goods, (5) responsibility incurred.

3015. *Chairman:* Have you heard the questions that were put to Sir Norman Hill?—Only very few of them.

3016. The main point under discussion was whether the railways were to be at liberty to charge exceptional rates, what are shortly called port to port, which include places near ports as well as in the ports, with a view of obtaining traffic. Sir Norman Hill put forward the proposition that there should be a uniform rate for the country, that they should

not be allowed to charge lower rates where they were threatened with sea competition, but bound to maintain the same for everywhere. Do you go to that extent?—Generally speaking, I agree with that, but I would rather prefer to use the word undercutting than a low rate, because I mention here that in my opinion certain exceptional rates can be justified by circumstances—the traffic circumstances.

3017. I think this was rather put by some people who questioned Sir Norman Hill. Suppose the freights by sea fell very substantially from the present time, and there was competition by foreign ships, so that it was not only due to English ships putting them down, but they could not help putting them down, would the railway companies be justified in following so as to retain a proportion of the traffic?—I should like to see all the circumstances before I gave a definite answer to that question.

3018. You would not say it was necessarily wrong?—I would not say it was necessarily wrong; that is as far as I should get, I think, but I should prefer to know all the circumstances.

3019. We got from Sir Norman Hill the answer that if all the present exceptional competing rates on the railways were abolished, so that normal rates between the ports were maintained with the percentage additions that we put on in January last, then the coastal traffic would have a dog's chance of competing, and by very clever management and so forth they might keep themselves alive. Would you agree with that as the sort of position in which we find ourselves?—Sometimes. I should think.

3020. I meant, nobody has proposed, Sir Norman Hill did not, that railway rates should be put up above the normal for the sake of assisting the coastwise traffic. I was anxious to get your view as to whether putting them up fully to the normal would save the coastal traffic?—I do not think they ought to be put above the normal in order to save traffic. I gave you my answer just now with regard to that. Undercutting is the test I take of my objection to a rate.

3021. I am asking you on a question of fact. Do you think to put them at the normal now will be sufficient to enable the coastwise traffic to compete with reasonable success without a subsidy?—Not in the abnormal conditions of to-day. You might put your rates normal, but the conditions under which the traffic would be carried are abnormal.

Chairman: Mr. Martin says if you want an answer to that question we ought to have someone from the General Steam Navigation Company or some similar company, but I do not know whether that is really necessary.

3022. *Mr. Jepson:* I want to ask you one question with regard to the grouping system of rates which you know is in operation to all the London docks?—Not all the London docks.

3023. The London docks, including Tilbury?—Yes.

3024. There is an all-round system of grouping rates, whether the traffic is taken to or from the docks by rail, by cart, or by barge?—That is so.

3025. Is that a real advantage to the public?—It is a real advantage, and if it had not been applied in the case of London the Tilbury Docks would never have been made.

3026. So that it has been of course admitted that it is a real advantage?—Yes.

3027. How do you suggest in the last paragraph of your statement that a separate charge for all services other than haulage should be made to the traders? You have this system of group rates which includes delivery on truck, cart, or barge. How are you going to carry this out and show the charge for each service?—I suppose we must be reasonable in our interpretation of a general rule such as that.

3028. You would not suggest that it should be done in such group rates?—No, not within the group.

3029. *Mr. Martin:* That is apart from the group rate altogether?—I have always assumed that some grouping system is absolutely necessary for the practical working of any railway.

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[Continued.]

3030. *Mr. Jenson*: You say that particularly with regard to London?—Yes.

3031. A good deal of traffic which is conveyed by rail to the London docks does not get through by rail, but is delivered or collected by the railway companies by barge to and from the docks?—At the London and St. Katherine's Docks, where there are no railways and it is unlikely that you will ever have any railway.

3032. *Mr. Acworth*: I see you have given five reasons why in your view exceptional rates can be justified: they are the last words of your Proof?—Yes.

3033. You have omitted competition altogether?—I have.

3034. I take it you have done that advisedly?—I have.

3035. Sir Norman Hill told us of a possible case of the coastwise traffic being largely carried on by foreigners. Suppose this case: Suppose traffic between London and Hull, and the normal rate was so high that a Norwegian steamer took all the traffic. If the railway rate was reduced 10 or 15 per cent. it would still leave a substantial profit, not as big a profit as the ordinary, but still a substantial profit; would you say that the railway company ought not to regard this competition as a ground for giving an exceptional rate?—I do not say that in no circumstances com-

petition should not be regarded as an element, but I never like answering hypothetical questions with hypothetical cases.

3036. I think Sir Norman Hill knew about the facts. *Chairman*: I think you have rather committed yourself to a hypothetical opinion; you have said: "On no other consideration"?—Yes.

3037. If you commit yourself to no other consideration it implies, however much the circumstances may change?—Yes; perhaps that is rather too strong an expression to put in.

3038. *Mr. Acworth*: May we put in competition in brackets, in a query?—Obviously. I am not out to starve the railways of traffic in all circumstances. It is not a good thing to do nationally; but, on the other hand, I am against the undercutting of shipping and against coastwise services by railway companies. That is so far as I take the point.

3039. Would you call it undercutting if the English railway companies resisted the abstraction of traffic by Norwegian shipping? Would you still use the word "undercutting"?—My sympathies would obviously be with the railway company against the Norwegian, but I should have thought the British shipowners could have looked after the Norwegians.

Mr. Acworth: I do not pretend to know. I was thinking of the evidence of Sir Norman Hill.

Cross-examined by Mr. BALFOUR BROWNE.

3040. At the bottom of the last page you say that the railway companies' rates should only be used for the purpose of carrying on their own business to the best advantage. "They should not be used to destroy other people's businesses"?—Yes.

3041. That is quite obvious. If there was a tribunal to regulate the rates that the railway companies were allowed to charge, they would not allow them to be used for the destruction of other people's traffic?—No, they should not.

3042. With regard to the next matter: "First, a fair and just charge for haulage," the traders of the country are entirely at one with you?—Yes.

3043. You go on: "Second, a separate charge"—would you mind putting that: "Separate charges for all services"?—Yes, charges.

3044. Do not you think they ought to be separate?—Separate.

3045. "Separate charges for all services other than haulage. These other services to include dock services and sea freights," and so on. There I agree with you. Then we come to exceptional rates: "All exceptional rates should be based on railway traffic considerations." There, of course, the traders of the country are entirely with you; but are we not right in considering that besides the five you name, competition is a traffic consideration—should not there be a sixth heading?—That is the question Mr. Acworth has just asked me, and you will find my answer on the note.

3046. You have answered it?—Yes.

Mr. Balfour Browne: I do not think I need ask you any more.

Cross-examined by Sir JOHN SIMON.

3047. You would draw, would you not, a sharp distinction between the situation as it existed before the war and the situation which developed during the war owing to the fact that, while expenses of sea transit were rapidly rising, railways, until January of this year, continued charging their old rates?—Yes. Of course, the new charges of 50 per cent are nearer than they were to the sea traffic, but do you wish to treat the present rate as normal?

3048. I want to draw a distinction between two periods. What happened was this, was it not, that until the war broke out a great undertaking like the Port of London Authority found the traffic coming to the Port of London partly coastwise and partly by railway?—Yes.

3049. Then comes the outbreak of the war and, of course, a great increase in the expense of sea-borne traffic?—A great increase?

3050. Yes.—Not during the war.

3051. In expense?—I thought you said in expense.

3052. No, in the cost of sea-borne traffic?—In the expense, undoubtedly.

3053. First of all, there was the fact that payments out increased; secondly, there were the submarines?—Yes.

3054. The consequence was, was it not, that during the war, quite rightly, shipowners had to increase their charges?—Yes.

3055. On the other hand, the railway companies during 1914, 1915, 1916, 1917, 1918, and 1919 were

not increasing their charges, but were getting a subsidy?—That is right.

3056. That was the governing consideration which has caused the great decrease in coastwise traffic, and this want of proportion between the two methods of carriage?—Yes, during the war, undoubtedly, that was a circumstance.

3057. I am not asking for figures, but if we were to suppose that the railway companies, or the Government, when they were deciding their policy with regard to the railway companies, inasmuch as expenses became greater, rates, materials, and all the rest of it, had put up their charges, just as, of course, the coastwise traders put up theirs, it might have been that the two things would have balanced more than they have?—Only a little more, I think, because the insurance of goods carried coastwise was an element.

3058. That was a great element; it was an element of war risk?—Yes.

3059. Especially the submarine risk round our own coasts?—Yes.

3060. You do not suggest this Committee, in settling for the future the principle on which railway rates are to be fixed, is to have regard to insurance against submarine risks?—No.

3061. We might perhaps treat that as a past event. Could you give me, because it does not happen to be in Sir Norman Hill's paper, a comparison between the tonnage carried coastwise to the Port of London

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[Continued.]

in the year just before the war and 1919?—I have the figures for the year ending March, 1914.

3062. As compared with when?—With March, 1920.

3063. Would you give me those?—I am giving you them inwards and outwards.

3064. Give me the totals?—In March, 1914, inwards 6,750,000—I need not give the odd figures—outwards 2,662,000.

3065. Adding them together it apparently comes to 9,000,000 odd?—9,400,000.

3066. 9,300,000?—Yes.

3067. How does that contrast with the figure for 1920?—1920 inwards 4,310,000; outwards 1,290,000.

3068. Adding them together it is only 5,500,000?—Yes, 5,600,000.

3069. Whereas in the normal year before the war the sea-borne traffic coming in and out of the Port of London was 9,300,000—is that coastwise?—Coastwise only.

3070. Whereas the coastwise traffic coming in and out of the Port of London was 9,300,000 in 1914; in March, 1920, it is only 5,500,000 odd?—Yes.

3071. Even so, is not that 5,500,000 a larger figure than the figure of the year before?—A larger figure how?

3072. It is a larger figure in that it is bigger.

Chairman: We have the figures, 2,650,000 inwards, and 890,000 outwards?—It is undoubtedly larger than 1919, but that included a great deal of war time. In March, 1919, we had hardly got over the war.

3073. *Sir John Simon:* I do not want to put it controversially. It is plain that the circumstances of the coastwise traffic during the war, partly owing to submarines and war risks, and partly owing to the rise in cost, as contrasted with the railway policy of keeping the pre-war rate of charge, has resulted in starving the coastwise traffic and crowding the railways?—Undoubtedly.

3074. That arises from war conditions?—But the subsidy was in force for a part of last year, you know. I gave you that.

3075. Certainly the subsidy comes into the matter?—Yes, the coastwise subsidy.

3076. That is a proper comment. Would you mind passing from this painful and, I hope, temporary experience to the time just before the war. Were you a member of the Port of London Authority at that time?—Yes.

3077. I am sure the view of the authority is to do what is good in the public interest as distinguished from any more limited view?—Yes.

3078. Is the Port of London Authority a railway company for certain purposes?—Yes.

3079. Did the Port of London Authority apply to the Railway and Canal Commission for through rates from various towns throughout England, including Manchester and Liverpool, over different railways coming to London, and over railways of the Port of London Authority?—Yes, I think that took place about 1910 or 1911.

3080. I can tell you it was a little later because I remember the litigation, and I should not have been appearing for railway companies in the years you mention. It was, at any rate, just before the war. That was done, I suppose, by the Port of London Authority in their view for the public interest, was not it?—Undoubtedly.

3081. Indeed, in order to succeed they would have to prove it was for the public interest?—Yes.

3082. They asserted, and I am sure most honestly asserted, that they thought it was for the public interest, did not they?—Yes.

3083. Is what they asked that the through rate from Liverpool down to London and on over all their lines to the docks should be less than the railway companies serving London now charged because the cartage rebate was to be taken out of the total?—Yes. I am not acquainted with the technicalities of the case, but I believe you are stating it generally.

3084. I think it is so.—Yes.

3085. Just consider what that means. The Port of London Authority, not like these railway companies worrying about their personal interest, but speaking as representing the public interest of the country, thought before the war, and I daresay rightly thought, that it was to the advantage of the trade of the country to secure cheaper rates to the Port of London?—Yes.

3086. What has happened since to alter that?—I should like cheaper railway rates and cheaper coast rates, but they ought to have some relation to each other. We want to have both traffics. We cannot take all the traffic by rail, as I have explained, because some of the docks are not fitted.

3087. The real trouble is that as long as it can be done properly and fairly, it is desirable in the interests of the country and its trade that a great port like the Port of London should be served by both traffics?—Undoubtedly. We were claiming then we were performing services for which you were getting the money. I think that was the chief question.

3088. I am afraid the Court did not agree with you?—I am afraid the Court did not, because they considered we got enough.

3089. The result was that the fortunate trader, if only he took advantage of the railway rates, was able to get his stuff to the Port of London cheaper than before?—That would have enabled us to make the Port generally cheaper, which is our great object in life.

3090. Nobody knows better than I do the great desire the Port of London Authority have for that, and I do not wish to suggest the contrary. You know so much about shipping that you could tell me this. The expression "Cut freights"—?—Cut rates.

3091. The expression "Cut freights"—?—That is a misunderstanding of the typist, if you are reading from my proof.

3092. I am not putting it upon you. It is an expression we have all of us heard of. The expression "Cut freights" almost smells of the sea, does not it?—I am not here for the shipowners.

3093. You will be able to help me. Have you ever heard of such a thing as a conference or a combine of steamers that cut freights who were complained of by another steamship company?—I am not here to give evidences either for or against shipowners, Sir John. I have not seen much cutting of freights during the last four years.

3094. But war conditions were very exceptional, and I am sure we all of us heartily hope they are really over?—Yes.

3095. *Chairman:* I do not think anybody else wants to trouble you?—Thank you.

Chairman: I think it would be convenient, if it is convenient to the parties appearing, if on Tuesday morning we discussed, among those who represented whole groups, the various questions which have been thrown out and see if we are getting any nearer agreement upon them. It will give everybody time to get their instructions. One or two matters have been thrown out on which we were going to see if an agreement could be reached. We might perhaps discuss those on Tuesday morning, and then go on in the ordinary course. Is the Shipping case finished yet?

Sir Robert Aske: Not yet. It was a question of calling two or three witnesses on the question of liability.

Chairman: If you think it right to do it I do not want to stop you, but I think the tribunal is quite satisfied it is very desirable that coastal traffic should be maintained.

Sir Robert Aske: I appreciate that.

Chairman: I think we are quite unanimous upon that. Whether your particular method of prohibiting exceptional rates is right or proper is another question altogether. We want to see coastal traffic continued there, and competing against the railways, but I have not expressed any opinion as to whether the railways should be prohibited from competing with the steamships.

Sir Robert Aske: I appreciate that. It does make a difference, if one may take it that the Committee

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SIR JOSEPH BROODBANK.

[Continued.]

has decided that exceptional rates, so far as they have been created by water competition, not merely between port and port, but water competition generally, should go.

Chairman: At present I have not heard a single person suggest anything to the contrary—

Sir John Simon: No.

Chairman: With regard to the present exceptional rates created by water competition. As nobody has suggested anything to the contrary, and as we had a strong leaning that way before we heard you, I think I might say that it is our opinion that the exceptional water rates should go. But I do not say it is our opinion that the railways should be prohibited from ever setting up others again. I express no opinion upon that one way or the other.

Sir Robert Aske: Sir Norman Hill asks me to point out that our concern in calling evidence has not been so much to convince the Committee that the abolition of these exceptional rates is necessary in the interests of the coasting trade, but that it is likewise in the interests of the national trade. We are inclined to put our case on broad lines.

Chairman: I think you will find we agree with you entirely. It is to the national interest that the coastwise trade should be maintained, but the method of maintaining it we express no opinion about. I think we may say we realise quite well that individual ports must have suffered, and the labour at those ports must also have suffered, from what has happened in the last four or five years.

Sir Robert Aske: We have sent out a questionnaire to all ports in the country on certain points, for instance, as to what are the reasons for any falling off in coastwise traffic to the ports, and if they can describe what is the result already produced as regards the trading community and as regards unemployment and similar matters. I do not know if it would be of any assistance to the Committee to hear the replies, or whether you are satisfied.

Chairman: I think we are quite satisfied. Looking at the figures which Sir Norman Hill has given that the cost of freights has gone up 230 per cent., we compare that with what we know about the railways. That they have not put up their freights unnecessarily is shown by the fact that they are not getting full cargoes, and are therefore not in the position of people who can charge what they please.

Sir Norman Hill: And the result of the diversion of the coastwise traffic has been to cause very considerable unemployment, and has caused a great many of the smaller ports to be lying idle.

Chairman: I think we appreciate that, and we accept Sir Norman Hill's evidence to that effect.

Sir Robert Aske: Then, in view of that, I do not think I can render any further assistance to the Committee.

Chairman: We are very much obliged for what you have done.

Sir Robert Aske: There is only one thing I might mention. There is a report of the West of England Port and Transit Committee, which was a branch of Sir Norman Hill's Port and Transit Committee,

appointed by the War Cabinet. They printed a very full report with regard to all the West of England ports, showing the effect of the exceptional railway rates created by water competition. We have had it printed. I will not read it, but perhaps I might hand them in.

Chairman: I should like to see it.

Mr. Balfour Browne: The matters that you propose to discuss on Tuesday morning are, I take it, those which have arisen incidentally in the course of this inquiry, in the way of suggestions from the tribunal, and, further, the matters that are in the Appendix of yesterday's Notes?

Chairman: Yes. On the list the Mansion House Association would come next, but I understand it has been arranged between the Mansion House Association and the National Federation of Iron and Steel Manufacturers that the iron and steel manufacturers will come next.

Mr. Clements: I appear for the Mansion House Association, and I think my friend Mr. Rowland Whitehead has agreed to that, subject to your ruling.

Chairman: Well, you will follow the iron and steel manufacturers?

Mr. Clements: Yes.

Mr. Rowland Whitehead: With regard to the iron and steel case, I think it will last a large part of the day, but not the whole day.

Chairman: Why? We are getting so much in agreement upon these things that I hope we are going to get very short.

Mr. Rowland Whitehead: It depends on the questions that are asked.

Chairman: If you are going to start any new hares which have to be hunted, then we must hunt them, but if it is very much on the lines as that we have had before it should not take long.

Mr. Rowland Whitehead: It is rather a different case.

Chairman: Whatever it is we will hear it, but I hope it will not last the whole day.

Mr. Rowland Whitehead: So far as I am concerned, I shall deal with it as briefly as I possibly can.

Chairman: I am sure you will.

Mr. Rowland Whitehead: But it will take some time. Then comes the Mansion House Association, and then the St. Helens case will follow that.

Chairman: Yes.

Mr. Rowland Whitehead: I do not know whether you will take that to-morrow.

Chairman: We do not want to waste any time by not having something to go on with.

Mr. Rowland Whitehead: I was going to suggest you might not take the witnesses in the St. Helens' case to-morrow.

Chairman: We will not take the witnesses, but we will hear you, if necessary, upon it.

Sir Robert Aske: Sir Norman Hill has now procured the normal figures you asked for. Might I hand them in?

Chairman: Yes; will you hand them to the shorthand writer?

(Adjourned till to-morrow morning at 11 o'clock.)

APPENDIX.

(Table handed in by Sir Norman Hill.)

Net Tonnage Entrances Coastwise, Excluding Intercourse with Ireland.

	1919.	Net Tons.		1919—cont.	Net Tons.
January	653,000	October ... ..	...	970,000
February	659,000	November ... ..	...	866,000
March	821,000	December ... ..	...	840,000
April	740,000			
May	763,000		1920.	
June	782,200	January ... ..	...	970,000
July	977,000	February ... ..	...	1,025,000
August	1,140,000	March ... ..	...	1,135,000
September	960,000	April ... ..	...	1,070,000

(Table handed in by Sir Joseph Broadbank.)

PORT OF LONDON.

COASTWISE VESSELS, Inward and Outward, and the NET REGISTER TONNAGE for the Years ended March, 1913, 1914, 1919 and 1920.

		Voyages made with Cargoes.		Tons net entered with Cargoes.	
		Inward.	Outward.	Inward.	Outward.
12 months ended March, 1913 ...	...	15,520	11,741	6,129,415	2,430,070
Ditto ditto 1914 ...	...	17,223	12,734	6,750,498	2,662,488
Ditto ditto 1919 ...	...	6,440	5,501	2,650,408	889,874
Ditto ditto 1920 ...	...	8,429	6,934	4,310,997	1,290,063

